



DRAFT ANNUAL BUDGET FOR 2016/2017 MTREF

**Medium Term Revenue
and Expenditure
Framework (MTREF)**

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Glossary

Adjustments Budget - Prescribed in section 28 of the MFMA. The formal means by which a municipality may revise its annual budget during the year.

Allocations - Money received from Provincial or National Government or other municipalities.

AFS- Annual Financial Statements

Assessment Rates - Local Government tax based on the assessed value of a property. To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.

Budget - The financial plan of the Municipality.

Budget Related Policy - Policy of a municipality affecting or affected by the budget, examples include tariff policy, rates policy and credit control policy.

Capital Expenditure - Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's Statement of Financial Performance.

CRR - Capital Replacement Reserve. A cash reserve set aside for future capital expenditure.

Cash Flow Statement - A statement showing when actual cash will be received and spent by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month it is received, even though it may not be paid in the same period.

CFO - Chief Financial Officer

DORA - Division of Revenue Act. Annual legislation that shows the total allocations made by National to Provincial and local government.

Equitable Share - A general grant paid to municipalities. It is predominantly targeted to help with free basic services.

EPWP - Expanded Public works Programme.

FFC - Financial and Fiscal Commission.

Fruitless and wasteful expenditure - Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

GIS - Geographic Information System.

GFS - Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.

GGP - Gross Geographic Product

GRAP - Generally Recognised Accounting Practice. The new standard for municipal accounting and basis upon which AFS are prepared.

IDP - Integrated Development Plan. The main strategic planning document of the Municipality

ISDF - Integrated Strategic Development Framework - The 20 year framework linking technical, financial and economic planning.

KPI's - Key Performance Indicators. Measures of service output and/or outcome.

MEC - Minister in Executive Committee (Province).

MFMA - The Municipal Finance Management Act - No. 53 of 2003. The principle piece of legislation relating to municipal financial management.

MTREF - Medium Term Revenue and Expenditure Framework. A medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous three years and current years' financial position.

MPAC - Municipal Public Accounts Committee.

MSAC - Municipal Service Accessibility Charge.
The municipal charge levied on the basic government electricity charge for municipal services available to the household.

MSCOA - Municipal Standard Chart of Accounts

NERSA - National Electricity Regulator of South Africa.

NT - National Treasury.

NDPG - Neighbourhood Development Partnership Grant.

Net Assets - Net assets are the residual interest in the assets of the entity after deducting all its liabilities. This means the net assets of the municipality equates to the "net wealth" of the municipality, after all assets were sold/recovered and all liabilities paid. Transactions which do not meet the definition of Revenue or Expenses, such as increases in values of Property, Plant and Equipment where there is no inflow or outflow of resources are accounted for in Net Assets.

Operating Expenditure - Spending on the day to day expenses of the Municipality such as salaries and wages.

R&M - Repairs and maintenance on property, plant and equipment.

SDBIP - Service Delivery and Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.

Strategic Objectives - The main priorities of the Municipality as set out in the IDP. Budgeted spending must contribute towards the achievement of the strategic objectives.

SCM - Supply Chain Management.

Unauthorised expenditure - Generally, spending without, or in excess of, an approved budget.

Virement - A transfer of budget.

Virement Policy - The policy that sets out the rules for budget transfers. Virements are normally allowed within a vote. Transfers between votes must be agreed by Council through an Adjustments Budget.

Vote - One of the main segments into which a budget is divided. In Knysna Municipality this means at directorate level.

PART 1 - ANNUAL BUDGET

Section 1 - Mayor's Budget Speech

The Mayor's budget speech including Annexure 6 will be submitted to Council for approval on 26 May 2016 subsequent to the Budget Public Participation process.

Section 2 - Budget Related Resolutions

Knysna Municipality

MTREF 2016/17

The resolutions approved by Council with the final adoption of the budget on the 26 May 2016 will be:

RESOLVED:

[a]. That the annual budget of Knysna Municipality for the financial year 2016/17; and indicative for the two projected years 2017/18 and 2018/19, as set-out in the schedules contained in [Section 4](#), be approved:

- 1.1 [Table A2](#): Budgeted Financial Performance (expenditure by standard classification)
 - 1.2 [Table A3](#): Budgeted Financial Performance (expenditure by municipal vote)
 - 1.3 [Table A4](#): Budgeted Financial Performance (revenue by source including Capital Transfers and Contributions)
 - 1.4 [Table A5](#): Budgeted Capital Expenditure for both multi-year and single year by vote, standard classification and funding.
- [b]. Property rates reflected in [Annexure 3](#) and any other municipal tax reflected in Annexure 3 are imposed for the budget year 2016/17.
- [c]. Tariffs and charges reflected in [Annexure 3](#) are approved for the budget year 2016/17.
- [d]. Council notes the amended Integrated Development Plan adopted on 26 May 2016 reflected as summarised in [Section 6](#).
- [e]. The measurable performance objectives reflected in [Section 7](#) are approved for the budget year 2016/17.
- [f]. The amended policies for credit control, debt collection and indigents as summarised in [Section 8](#) (and detailed in [Annexure 5](#)) are approved for the budget year 2016/17.

- [g]. The other new and/or amended budget related policies summarised in [Section 8](#) (and detailed in [Annexure 5](#)) are approved for the budget year 2016/17.
- [h]. The measurable performance objectives detailed in [Annexure 7](#): 'Service Delivery and Budget Implementation Plan' are noted for the budget year 2016/17.
- [i]. The Municipal Standard Chart of Accounts (mSCOA) project plan and progress to date is contained in [Annexure 9](#).

Section 3 - Executive Summary

Introduction

As we reflect on another year, we are finding ourselves in a world and country, South Africa, which is vastly different to the one we found ourselves in a year ago. During the past twelve months, international headlines have been dominated by the rise of global terror, the continued slowing of economic growth in China which has severe implications for our country from a commodity-demand point of view, an overall decline in global economic growth, a substantial decline in the price of oil and a substantial weakening of all emerging market currencies against First-World currencies. While the South African economy is facing severe challenges with economic growth of less than 1%, high unemployment, extreme inequality, rising crime, the impact of the worst drought in decades and business confidence at its lowest levels in 23 years, it will help us little to throw our arms up in despair here at Knysna Municipality. Our weak Rand alone creates endless opportunities for us here in Knysna to capitalize on international tourism and also to dip our toes deeper into the water when it comes to promoting manufacturing for export.

The budget for the financial year 2016/17 reflects the strategy and priorities of the Knysna Municipality within those of the Province of the Western Cape as well as the priorities and strategies of the National Development Plan and the strategic thrusts as enunciated by Minister Pravin Gordhan in his position paper on local government summarised in the slogan “Back to Basics”. Changes in policy and direction cannot simply happen overnight but in the last four Council budgets there have been significant shifts in Council thinking whilst maintaining at all times a synergy with the Constitutional requirements of local government in respect of basic services and within the general dictates of National Treasury guidelines.

It was therefore inspiring when Knysna was listed on 29 February 2016 under the Top 21% of all municipalities in a new index compiled by Good Governance Africa (CGA), a research and advocacy organisation based in Africa that works to improve government performance on the continent. This index was compiled based on various data sources, including the 2011 census, National Treasury’s Local Government Yearbooks 2013 - 2015, the Expanded Public Works Programme, various releases from Stats SA as well as the Annual Financial Statements of Municipalities which include annual audit reports issued by the Auditor-General. GGA assessed South Africa’s 234 local municipalities across 15 different criteria split into three main groups, namely administration, economic development and service delivery. Service delivery in particular was assessed across refuse, removal, water, sanitation and provision of electricity and Knysna Municipality came 48th overall on this list, indeed an accolade for our sound administration, service delivery and economic development initiatives since 2011. However, this index also highlighted that we have some way to go if we want to improve our administration, service delivery and local economic development initiatives

to such an extent that we can be ranked amongst the Top 10 municipalities in South Africa.

This 2016/17 Budget therefore rests on the idea of an inclusive social contract, encompassing an equitable burden of rates and taxes as well as a progressive programme of expenditures. This Budget also relies on institutions of good governance and a public ethic that values honesty and fairness. If we act together, on these principles, as public representatives, civil servants, business people, youth, workers and citizens, we can overcome the challenges of tough economic times and difficult adjustments.

However, the deterioration of the Knysna economy still continues in line with the overall South African economy. Whilst there is no doubt that the bumper December 2015 holiday period continued to show some depth and expansion from previous years and that there are now the beginnings of some economic green shoots appearing by way of interest in residential construction linked to higher end property, it is highly unlikely that the economic position of Knysna will change much in the next three to four budget cycles at least. Unfortunately, the infamous Eskom factor has also come back to haunt municipal finances with an average 9.4% increase, a demand for cost reflective tariffs on water and sewer and increase in employee costs that exceed headline inflation.

The new budget for Knysna Municipality amounts to R906.5 million. This constitutes R172.5 million for capital expenditure and R734 million for operating expenses. It is considerably more than the Adjusted budget approved for 2015/16, which was R681.7 million and R107.8 million for operating expenditure and capital expenditure respectively. This new budget on total expenditure represents an increase of 23% from the 2015/16 original budget and 15% from the 2015/16 adjusted budget. Although a deficit of R 11,8 million is currently forecasted for the 2016/17 financial year, senior management and Council are in process of exploring different initiatives including further reducing expenditure and supplementing revenue aimed at reducing this deficit to breakeven prior to approval of the final budget by Council.

CONSOLIDATED OVERVIEW OF THE 2016/17 MTREF					
	Current Year		2016/2017 MTREF		
	Original Budget	Adjusted Budget	2016/2017	2017/2018	2018/2019
Total Revenue (excluding capital transfers and contributions)	668,221,750	692,644,800	722,201,200	789,127,750	821,815,653
Total Expenditure	635,833,400	681,665,546	734,042,269	772,164,600	798,903,080
Surplus/(Deficit)	32,388,350	10,979,254	-11,841,069	16,963,150	22,912,572
Transfers recognised - capital	56,265,000	48,535,326	90,566,000	33,513,000	33,695,000
Total Capital Funding	102,682,600	107,810,333	172,489,270	75,042,988	124,188,351

There have been serious concerns in regard to the lack of long term planning necessary for Knysna over the next 20 years. Previous plans were essentially short term or even “gimmicky” but lacked the depth necessary to move Knysna forward. A decision was taken to begin a new long term planning process, predominantly in-house, by means of a very exhaustive but inclusive Integrated Strategic Development Framework (ISDF). The ISDF will be constantly referred to in this MTREF as it will become the most critical long-term planning tool of the Knysna Municipality and by including the simple word “Integrated” it means that for the first time, technical, financial and ultimately economic planning will talk to each other. The ISDF looks on a far longer horizon than mere Integrated Development Plans (IDP) and whilst no specific capital projects have yet been identified for ISDF purposes, they are obviously part and parcel of the revised IDP. The ISDF has now been presented to Councillors and is going through an extensive public participation exercise. The importance of the ISDF cannot be over-emphasised. ALL Council technical master planning will be placed within its over-arching umbrella.

In tandem the Finance Directorate has embarked on a major debt restructuring exercise to work in conjunction with the ISDF to finance investment and economic based capital infrastructure identified for inclusion in the budget via the IDP as flowing from the ISDF. This will ensure the MTREF remains practical and therefore economically and financially sustainable rather than the often theoretical and usually meaningless planning followed by public sector bodies.

Background

Following a process that was much more challenging and time consuming than had been anticipated the final draft of the Integrated Strategic Development Framework (or ISDF) was prepared and presented to the Inter-Governmental Steering Committee and to Council. The plan provides draft guidelines for the future development of the Municipal Area and identifies a number of catalytic projects that will inject energy into the economic revival of the

area. The public participation process will be completed soon and it is anticipated that the final version of the report will be adopted before the end of this financial year.

Besides tourism, the major economic drivers within Knysna are retail, residential and retirement. These are all heavily dependent upon the economy at a national level and neither could claim to be major forces in the drive for job creation. Many of those in these driving sectors are not resident, or are predominantly situated outside of the town. For example, much of Knysna's retail property is owned by businesses outside Knysna and any profits obviously flow outside of Knysna.

Further, a number of Knysna property owners do not actually live in the municipality for home purposes and so generate little in the way of economic development.

Situated in a national park, it is highly unlikely that our social and revenue profiles will change. Approximately 75% of Council revenue, excluding governmental transfers, comes from the domestic residential sector and some of this is classified as being indigent or on social welfare. There is little scope for cross-subsidisation from the business sector in relief of the domestic account and therefore increases in tariffs impact directly upon domestic consumers and hence almost immediately upon the municipality's cash flow. Increased taxation will invariably mean increased non-payment.

Knysna must fund itself and provide services as if it were a twelve month municipality, on a six-month income. There is therefore an obvious mis-match between revenues and service demands, and that is before we can consider eradicating service backlogs in our previously disadvantaged areas or maintaining services in advantaged areas. A classic example of this was in regard to the road maintenance budget which needed to be used to maintain our tourist and therefore revenue generating areas in the first instance over the holiday period.

The Eden District Municipality is in the process of establishing a new regional landfill site adjacent to Petro SA in Mossel Bay. The license for the site has already been issued by DEA&DP and will become operational from 2017. This landfill site has an expected lifespan of approximately 50 years. The joint operational cost of developing this landfill site by participating municipalities within the Eden District would need to be passed onto the consumers in the form of tariff increases. A supplementary tariff on waste is envisaged for the latter half the 2016/17 financial year subsequent to the construction and operation of the new landfill site to be developed in Mossel Bay in conjunction with the Eden District Municipality.

It is highly unlikely that the economic position of Knysna will change much in the next three to four budget cycles at least. Some of the more significant reasons for this is outside of the control of this Council i.e. the infamous Eskom factor with an overall 9.4% increase, a demand for cost reflective tariffs on water and sewer, cleansing increases arising from the landfill site construction and increase on employee related costs that exceeds headline inflation.

PROJECTED REVENUE FOR THE 2016/2017 MTREF	Current Year		2016/2017 MTREF		
	Original Budget	Adjusted Budget	2016/2017	2017/2018	2018/2019
Revenue By Source:					
Property rates	171,416,310	171,416,310	187,701,000	203,387,000	213,556,000
Property rates - penalties & collection charges	3,014,030	3,014,030	3,300,400	3,576,000	3,755,000
Service charges - electricity revenue	215,014,980	212,014,980	228,212,800	249,583,900	272,046,500
Service charges - water revenue	52,571,280	52,571,280	57,565,400	62,927,500	66,074,000
Service charges - sanitation revenue	12,329,050	12,329,050	13,426,700	14,727,200	15,463,735
Service charges - refuse revenue	16,503,840	16,503,840	18,071,900	24,260,900	25,474,000
Service charges - other	3,976,260	3,976,260	4,330,400	4,525,050	4,751,203
Rental of facilities and equipment	5,482,000	5,482,000	5,969,800	6,147,700	6,455,200
Interest earned - external investments	3,200,000	5,200,000	8,170,600	8,579,100	9,008,100
Interest earned - outstanding debtors	3,542,000	3,542,000	3,094,600	3,234,300	3,381,100
Fines	79,471,000	84,471,000	85,321,300	89,587,400	94,066,815
Licences and permits	2,179,000	2,179,000	1,399,300	1,469,300	1,542,800
Agency services	1,850,000	1,850,000	2,596,000	2,725,800	2,862,100
Transfers recognised - operational	93,803,000	113,866,050	98,458,000	109,585,000	98,339,000
Other revenue	3,619,000	3,979,000	4,333,000	4,561,600	4,790,100
Gains on disposal of PPE	250,000	250,000	250,000	250,000	250,000
Total Revenue (excluding capital transfers and contributions)	668,221,750	692,644,800	722,201,200	789,127,750	821,815,653
Transfers recognised - capital	56,265,000	48,535,326	90,566,000	33,513,000	33,695,000
Total Revenue	724,486,750	741,180,126	812,767,200	822,640,750	855,510,653

The Equitable Share and Revenue Stresses

For years, Knysna Municipality raised concerns about the financing of local government in general and the amount of our Equitable Share in particular. A few years ago commentary was passed in this same document that “the financing of local government is archaic and totally unsuitable for the 21st century”. The Financial and Fiscal Commission (FFC) has now expressed similar concerns in this regard. It does appear that National Treasury has at last become aware of the problem and the new Equitable Share formula is at least based on the latest census figures.

The Equitable Share has increased from R56.2 million in the 2015/16 financial year (2014/15: R 44.8 million) to R63 million in the 2016/17 financial year, R71 million in the 2017/18 financial year and R77.6 million in the 2018/19 financial year.

Eskom is once again going to become a massive concern in the forthcoming financial years. The approved NERSA increase is 9.4% for bulk electricity purchased from ESKOM. It is not simply the upwards effect of increased tariffs and the downward effect on operating revenues and cash flow but there are

now clear implications of load shedding upon Council's water and sewerage reticulation systems.

Domestic electricity customers have no choice as to who supplies them with electricity, because all electricity distributors - Eskom and municipal - are geographic monopolies. It is therefore important that electricity pricing between distributors should be equitable, rational and non-discriminatory. The reality, however, is that municipalities have different population sizes and densities, and provide different services - with different service levels and cost structures - to different mixes of low, medium and high income and usage domestic customers. In addition, municipalities have different mixes of domestic, commercial and industrial customers embedded within their geographic areas of supply. The average increase on the electricity tariffs at Knysna municipality approximates 7.6% notwithstanding that the individual tariffs levied within the electricity category will differ subsequent to an extensive electricity tariff exercise undertaken by Council.

South Africa is in the midst of its worst drought in at least two decades, threatening agricultural output and pushing up food prices. Five provinces - North West, KwaZulu-Natal, Free State, Limpopo and Mpumalanga - were declared disaster areas in 2015, allowing for a coordinated national response. Knysna Municipality has put out various alerts on water conservation measures. Council is exploring initiatives of limiting the free 6 kilolitres of water provided to all residents, except indigents, in a segmented manner. This is being considered to supplement the impact of implementing the drought tariff.

Similarly the solid waste service is also financially paralysed because of the municipality's geographical location. The new Eden District Municipality landfill site is at least 100 kilometres away meaning Knysna has to build into its collection costs transport and capital cost associated with this new landfill site.

Council cannot simply manage its staff costs by dismissing staff it can only implement "freeze" policies and the value of those are minimal unless accompanied by meaningful long term restructuring.

Auditor-General

Knysna Municipality has now attained eight unqualified audit reports in a row with the last three being "clean". Whilst having a clean audit rather than an unqualified audit has absolutely no effect on the financial stability or performance of this Council, it does have a considerably positive effect upon the sentiment of the investment and banking sectors, in all their facets locally and internationally. It is therefore remarkable that locally there remains a very minor, but ignorant and voluble local group, who appear to want nothing more than to criticise Knysna's very considerable achievements for reasons that are impossible to understand.

Knysna Municipality has embraced the concept of “clean” governance and we will endeavour to attain the levels requested by Provincial government by 2021.

Legislative compliance, good governance and clean audits require competent and qualified staff at all levels throughout Council directorates.

Budget Summary

Most of the basic information surrounding this year’s budget is set out in ‘Table A1: Budget Summary’ shown in Section 4 of this document.

The anticipated final outcome of the 2016/17 budget is that Council will end with a surplus after all transfers including capital of R78.7 million. This is above the current year’s adjusted budgeted figure of R59.5 million.

The capital expenditure emphasis remains on water and sewerage infrastructure. The focus is predominately on water infrastructure due to the ramifications of the recent drought experienced. The municipality fully supports the very welcome continued movement by the Western Cape Provincial Government to enable Knysna to use more of the Housing grant for infrastructure rather than top structure purposes.

Until 2012 Knysna had almost exclusively picked up the cost of the attendant heavy infrastructure associated with housing which created serious financial concerns which will continue to impact for years to come. The sheer volume capacity concerns on the ageing infrastructure obviously remain and will also continue to be of concern for many years to come. The Knysna municipality sits within a national park containing vleis and an estuary of huge national and international significance and yet Council is expected to maintain and manage a massively complex industrial and financial edifice.

Knysna as stated is a municipality that is predominantly domestic in its tax base. The downturn in the national economy has meant that development has virtually ceased and this in turn has led to a position whereby unless the position can be reversed quickly Knysna will have serious difficulties. For this reason Council has taken the decision to fast-track economic development at all levels.

Following the award of a tender for the installation of a high speed fibre-optic and microwave based network across the municipality the service provider has established in the municipal area and by the start of the financial year the installation of the infrastructure will be well under way. This project will involve the investment of R150 million in the Knysna municipal area by the successful tenderer, including the establishment of businesses in the data management value chain. It will also create a range of economic opportunities in the media, education, business and conferencing sectors.

Various economic development initiatives designed to harness the resources of private sector investors, together with what funding can be obtained from government, are planned. These include a Convention Centre, developments along the Concordia Road and in Nekkie, developments in the Hornlee business area and in the centre of town. These will come to light during the course of the year and should place the economy of the town on a clearly upward trajectory by the end of the financial year.

Marvellous work being undertaken by the Municipality with regards to contractor development. One such example is the R4 million we have spent on the 4 SMME contracts to maintain municipal infrastructure such as grass cutting, drain cleaning and litter removal. We have funded this initiative largely through our Expanded Public Works Program grant.

Financial position and MTREF strategy

The financial position of Knysna Municipality is set out in 'Table A6: Budgeted Financial Position'. It is projected that Council at the end of the 2016/17 financial year will close with an accumulated surplus of some R866.3 million (2015/16: surplus of R788.4 million). The only realistic figures to look at are those contained in Table A8. That shows the increased reserves which are required to be cash backed and a surplus figure of only R15.3 million (2015/16: R30.9 million). Prioritising forward, this amount is sadly only moving sideways. Savings are required which will supplement this amount in the future. It would be excellent if the figure was much higher, but Knysna municipality has always adopted a position that its assets should be in the ground working for the community rather than in the bank providing no service delivery.

Cash Flow

Knysna has a medium to high debt to revenue ratio. This has been commented on by rating agencies and occasionally by Provincial Government but it has not been of concern because of our approach whereby the whole budget process is driven to ensure the cash flow is protected as far as possible. Nevertheless Council has followed the policy in recent years of trying to limit its borrowings as far as possible, precisely because of concerns regarding the economy. Borrowings for the 2016/17 year are planned at approximately R28 million.

Capital Budget

The capital budget for 2016/17 will amount to R172.5 million (2015/16: R102.7 million) of which R90.6 million (2015/16: R 48.5 million) is funded from National and Provincial grants; R 28 million (2015/16: R19.4 million) from Borrowings and the balance from internally generated funds. Council is continuing the process begun two years ago of rebuilding and up-grading municipal buildings and assets including sports fields, libraries and halls.

An amount of R 57.4million (2015/16: R29 million) has been placed on the budget for housing Capital infrastructure programmes. The other major capital projects for next year are; R 22.6 million for upgrading the pumping scheme at Charlesford Dam, R10 million NDPG Grant for the Multi-Purpose Centres, R8.3 million for the Knysna WWTW Screw press; R5 million for the New Cemetery in Knysna and R4.6 million for the Upgrade Gray Street.

The 2016/17 Ward allocation projects will be R150 000 per ward for Capital Projects. National Treasury insists that all the projects must be identified and specified in the budget if they are of a capital nature. The final projects and programmes will be included in the approved municipal budget and performance against the budget will be reviewed quarterly.

The table below highlights two indicators as taken from Table SA8 namely, those regarding capital charges and cost coverage. These indicators are two of the most critical that any potential investor or lender will look at, obviously in conjunction with issues such as payment levels etc.

Description of financial indicator	Basis of calculation	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<u>Borrowing Management</u>									
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	6.7%	8.4%	4.5%	5.3%	4.9%	4.0%	4.4%	4.6%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	7.7%	10.2%	4.8%	5.9%	5.8%	4.7%	5.0%	5.1%

The indicators show that the municipality is managing its obligations well and should remain capable of being able to borrow moneys from the capital market at competitive rates and when necessary for the period of the MTREF for the foreseeable future.

Tariff Implications of the Annual Budget

The National Electricity Regulator (NERSA) has approved an average increase in the electricity revenue tariff from Eskom at 7.6%.

The water tariff increases will be on average 9.5% depending upon consumption.

The sewer and refuse tariffs will increase by 8.9% and 9.5% respectively. The implementation of the new Eden District Municipality landfill facility at Mossel Bay has not been factored into the refuse tariff for both domestic and business consumers. A supplementary tariff on waste is envisaged for the latter half the 2016/17 financial year subsequent to the construction and operation of

the new landfill site to be developed in Mossel Bay in conjunction with the Eden District Municipality.

Minor tariffs will be increased by 8.9% on average unless specifically shown in the tariff book.

The increases on the Availability Charges-Vacant land and the water and sewerage augmentation charges will be increased by 9.5%. The innovations introduced in the 2015/16 budget remain in place to encourage development. The electricity augmentation is formula driven and subject to NERSA.

In terms of assessment rates, the increase in the rate in the rand will be 8.9% for domestic properties and for non-domestic properties. The Finance Directorate has over a number of years debated the relevancy of the current Property Rates Rebate structure. We have always argued that property rates remains a tax and that Council should strive to obtain the maximum revenue out of the rates revenue base. During the 2015/2016 MTREF submission an indication were given that some of the rebates and exemptions will be phased out and to this end (these have not been factored in the revenue figures):

- The assessment rate rebate for domestic owners will be reduced to 10%.
- The Green Rebate from 10% to 5%.
- The Rural Rebate will be phased out.
- The additional portion of domestic property (excluding accommodation establishments) value which is excluded as per council Resolution for the MTREF will be reduced from R85, 000 to R65,000.
- The current pensioner rates rebates also needs to be revisited and to this end the following provision or criteria to build in "that the applicant must be a resident for at least five (5) years from date of deeds registration within the Knysna Municipal Boundaries". The income brackets and corresponding rebate percentages will therefore also be adjusted.

National, Provincial & District priorities

The National, Provincial and District Context

The Municipality's budget must always be seen within the context of the policies and financial priorities of National and Provincial government. All spheres of Government are partners in meeting the service delivery challenges we face in Knysna and the municipality cannot meet these challenges alone. South Africa has achieved considerable success in reaching the current level of macroeconomic stability notwithstanding the current world economic situation, but our own local economy is still plagued with levels of unemployment and poverty which are higher than the provincial norm.

The following table shows the allocations to Knysna Municipality as set out in the National Division of Revenue Bill of 2016 in the MTREF period:

National Government

National Grants	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Local Government Equitable Share	56,163	56,163	62,982	71,037	77,629
Department of Water Affairs: Masibambane	–	315	–	–	–
Finance Management Grant (FMG)	1,450	1,450	1,475	1,550	1,550
Municipal Systems Improvement Grant (MSIG)	930	930	–	–	–
CoGTA: Municipal Infrastructure Grant (MIG)	24,305	24,305	23,891	25,549	26,823
DME: Integrated National Electrification (INEP)	6,000	6,000	3,001	4,000	3,000
NT: Neighbourhood Development Partnership (NDPG)	–	–	10,000	10,000	10,000
Extended Public Works Program (EPWP)	1,002	1,002	1,292	–	–
Total	89,850	90,165	102,641	112,136	119,002

Provincial Government

Provincial Grants	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
LG&H: Integrated Housing & Human Settlements	53,384	53,384	76,673	23,010	4,500
LG&H: Community Development Worker	54	54	57	57	57
PW: Maintenance of Proclaimed Roads	67	67	81	–	–
CA: Library Conditional	5,161	5,161	9,452	7,655	8,115
PW: Hazardous Locations_Nekkies Intersection	–	7,098	–	–	–
Disaster Management Grant	1,552	6,173	–	–	–
PT: LG Financial Management Support Grant	–	300	–	–	–
PT: Financial Management Capacity Building Grant	–	–	120	240	360
Total	60,218	72,237	86,383	30,962	13,032

mSCOA

The Municipal Regulations on a Standard Chart of Accounts (mSCOA) is applicable to all municipalities and municipal entities with effect from 01 July 2017. Knysna Municipality was selected as a pilot side and as a pilot site it is expected to be fully compliant with mSCOA effective 1 July 2016. The mSCOA project of National Treasury and the resources required, human and financial, to undertake it successfully is imposing strains upon the administration. MSCOA is not a simple financial system change, it is a change in the manner in which Council undertakes and reports on its business activities.

Conclusion

The 2016/17 budget for Knysna Municipality, like 2015/16, has been an extremely challenging exercise where the cost of increased service delivery to its ever-growing poor population is clearly becoming increasingly unaffordable in the context of its limited revenue budget. The topography of Knysna is such that the basic services we are constitutionally obliged to perform means that they will always cost more than other municipality's. When Eskom raises its tariffs the knock-on effect on all Knysna tariffs is substantial.

The only options for Knysna therefore remain to (i) aggressively grow its status as a preferred international tourist hub, (ii) actively seeking investment in environment-friendly manufacturing capacity to create more jobs and (iii)

attracting more services companies to Knysna to create more jobs. In addition, Knysna will have to source funds over the next ten years to invest more in infrastructure e.g. broadband as that will undoubtedly spur higher economic growth rates in the Knysna area and not result in the loss of investment to neighbouring municipalities such as Bitou and George.

Section 4 - Annual Budget Tables

The intention of this Section is two-fold.

Firstly, the following tables form the basis of the Council resolution approving the annual budget for 2016/17:

- Table A2: Budgeted Financial Performance (expenditure by standard classification)
- Table A3: Budgeted Financial Performance (expenditure by municipal vote)
- Table A4: Budgeted Financial Performance (revenue by source)
- Table A5: Budgeted Capital Expenditure for both multi-year and single year appropriations by vote, standard classification and funding

Secondly, this section presents and explains the various tables that must be compiled as required by National Treasury. Some of the tables are variations on a theme which will allow NT to put out macro statistics. Whilst this is a good practice, it can become a tad repetitive at the micro or local level. It has therefore been decided to only comment on a table when there is something important or relevant to say.

Table A1 - Budgeted Summary

Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousands								
Financial Performance								
Property rates	142,475	147,030	158,860	174,430	174,430	191,001	206,963	217,311
Service charges	241,302	252,538	268,691	300,395	297,395	321,607	356,025	383,809
Investment revenue	6,589	5,944	7,757	3,200	5,200	8,171	8,579	9,008
Transfers recognised - operational	83,819	96,160	91,024	93,803	113,866	98,458	109,585	98,339
Other own revenue	35,518	69,547	125,764	96,393	101,753	102,964	107,976	113,348
Total Revenue (excluding capital transfers and contributions)	509,703	571,219	652,096	668,222	692,645	722,201	789,128	821,816
Employee costs	151,924	161,925	174,964	196,737	196,491	203,056	216,911	231,755
Remuneration of councillors	5,908	6,240	6,474	6,817	6,817	8,288	8,722	9,176
Depreciation & asset impairment	21,403	21,792	26,543	25,918	25,918	30,000	38,233	39,086
Finance charges	14,876	21,135	20,866	13,962	13,650	18,342	19,259	20,222
Materials and bulk purchases	140,439	145,622	149,157	154,239	167,631	187,341	180,828	191,296
Transfers and grants	5,610	5,001	5,373	5,631	5,922	5,877	5,867	5,961
Other expenditure	154,881	220,437	220,211	232,530	265,238	281,138	302,345	301,408
Total Expenditure	495,042	582,151	603,588	635,833	681,666	734,042	772,165	798,903
Surplus/(Deficit)	14,662	(10,932)	48,508	32,388	10,979	(11,841)	16,963	22,913
Transfers recognised - capital	41,023	32,917	30,964	56,265	48,535	90,566	33,513	33,695
Contributions recognised - capital & contributed a	695	4,589	787	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	56,379	26,574	80,259	88,653	59,515	78,725	50,476	56,608
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	56,379	26,574	80,259	88,653	59,515	78,725	50,476	56,608
Capital expenditure & funds sources								
Capital expenditure	75,134	70,862	61,788	102,683	107,810	172,489	75,043	124,188
Transfers recognised - capital	41,023	32,917	30,964	56,265	48,535	90,566	33,513	33,695
Public contributions & donations	695	4,519	-	-	-	-	-	-
Borrowing	19,847	14,318	12,152	11,902	19,348	28,013	13,601	23,803
Internally generated funds	13,569	19,108	18,672	34,516	39,927	53,910	27,929	66,690
Total sources of capital funds	75,134	70,862	61,788	102,683	107,810	172,489	75,043	124,188
Financial position								
Total current assets	131,528	103,513	170,803	120,513	160,714	148,692	163,795	165,121
Total non current assets	900,178	958,571	991,361	1,096,615	1,074,195	1,222,157	1,262,938	1,352,529
Total current liabilities	105,418	111,997	110,045	105,627	116,506	115,761	132,715	152,687
Total non current liabilities	223,267	213,181	234,953	226,004	244,935	301,927	313,007	307,647
Community wealth/Equity	703,020	736,906	817,165	885,497	873,468	973,598	1,005,482	1,105,799
Cash flows								
Net cash from (used) operating	79,820	77,636	81,331	115,053	82,607	114,052	74,545	92,324
Net cash from (used) investing	(71,422)	(79,299)	(45,952)	(103,444)	(110,133)	(167,747)	(81,130)	(126,554)
Net cash from (used) financing	(17,740)	(27,194)	8,215	(4,536)	2,931	18,693	739	9,334
Cash/cash equivalents at the year end	46,161	17,303	60,898	22,338	36,303	10,515	4,668	(20,228)
Cash backing/surplus reconciliation								
Cash and investments available	65,186	38,738	85,031	46,195	63,335	41,062	39,186	18,778
Application of cash and investments	15,159	25,486	46,251	22,523	32,403	25,735	21,760	17,856
Balance - surplus (shortfall)	50,027	13,252	38,779	23,672	30,932	15,327	17,427	922
Asset management								
Asset register summary (WDV)	878,857	936,781	967,103	1,070,790	1,047,037	1,191,485	1,228,295	1,313,398
Depreciation & asset impairment	21,403	21,792	26,543	25,918	25,918	30,000	38,233	39,086
Renewal of Existing Assets	37,773	36,928	24,184	35,139	40,250	68,425	48,862	102,560
Repairs and Maintenance	27,656	34,925	29,207	42,932	43,701	80,870	85,928	90,652
Free services								
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-
Revenue cost of free services provided	40,464	37,361	40,401	44,035	44,035	44,035	48,143	52,662
Households below minimum service level								
Water:	1	1	1	1	1	1	1	1
Sanitation/sewage:	3	3	4	4	4	4	4	4
Energy:	3	3	3	3	3	3	3	3
Refuse:	2	2	2	2	2	2	2	2

Revenue

Total revenue before capital transfers and contributions will increase by 4% from current year's adjusted budget. The average percentage increase for all Service Charges including Property Rates is 8.9%.

Expenditure

Total Operational Expenditure will increase by 8% (R52 million) overall against the 2015/16 Adjusted budget. This increase is mainly under 'Other Expenditure' by R17 million - 10%, Bulk Purchases by R13.6 million - 9.4%, Employee costs will rise by R6.6 million - 3% and 'Other Materials R 6 million - 27% on the 2015/16 adjustment budget figure. It is worth mentioning that employee related costs cater for the annual inflationary increase of 6.8% on basic remuneration as well as costs associated with the statutory provisions of employee benefits. The overall net increase of 3% only in total remuneration cost can partly be explained by Council's decision to freeze most vacant positions until 1 January 2017. The repairs and maintenance budget for 2016/17 will increase by 85% on the adjusted budget figure for 2015/16.

Table A2 - Budgeted Financial Performance (by standard classification)

Standard Classification Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue - Standard										
<i>Governance and administration</i>		168,465	170,056	205,471	196,867	199,527	199,527	230,399	248,576	260,640
Executive and council		10,138	8,845	24,403	8,491	8,851	8,851	10,431	11,717	12,511
Budget and treasury office		153,000	157,100	174,434	183,454	185,754	185,754	204,543	221,208	232,199
Corporate services		5,327	4,111	6,633	4,921	4,921	4,921	15,426	15,651	15,931
<i>Community and public safety</i>		78,958	118,434	140,510	144,619	152,649	152,649	174,608	123,562	110,156
Community and social services		2,168	10,650	9,116	9,843	9,843	9,843	10,513	8,770	9,286
Sport and recreation		831	845	962	1,168	1,168	1,168	1,272	1,310	1,376
Public safety		14,224	50,425	86,314	80,133	85,133	85,133	86,081	90,397	94,917
Housing		61,735	56,514	44,118	53,474	56,505	56,505	76,742	23,085	4,579
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		7,058	14,292	9,986	9,233	16,331	16,331	8,458	7,338	7,705
Planning and development		1,618	3,602	3,227	3,593	3,593	3,593	3,810	2,531	2,658
Road transport		5,439	6,782	6,759	5,640	12,738	12,738	4,648	4,807	5,047
Environmental protection		1	3,908	-	-	-	-	-	-	-
<i>Trading services</i>		296,939	305,943	327,881	373,768	372,673	372,673	399,302	443,165	477,009
Electricity		188,048	200,130	203,723	238,108	235,108	235,108	250,559	275,242	298,589
Water		60,212	65,496	76,963	76,963	77,278	77,278	86,373	94,353	99,593
Waste water management		27,601	17,516	21,229	28,850	30,441	30,441	29,606	32,619	35,060
Waste management		21,079	22,801	25,965	29,847	29,847	29,847	32,764	40,950	43,767
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	2	551,421	608,725	683,847	724,487	741,180	741,180	812,767	822,641	855,511
Expenditure - Standard										
<i>Governance and administration</i>		124,346	144,082	139,896	151,568	153,429	153,429	161,649	171,369	181,311
Executive and council		37,775	46,173	42,940	38,751	40,674	40,674	40,748	42,726	45,767
Budget and treasury office		30,784	33,037	33,037	38,376	35,941	35,941	38,526	42,265	44,916
Corporate services		55,787	64,871	63,919	74,441	76,815	76,815	82,376	86,378	90,628
<i>Community and public safety</i>		106,130	155,593	165,561	155,869	181,946	181,946	167,358	187,727	182,235
Community and social services		9,600	10,886	12,690	16,845	16,669	16,669	21,625	22,880	24,291
Sport and recreation		12,957	14,005	14,883	13,647	14,783	14,783	14,710	16,681	17,690
Public safety		26,233	65,460	90,047	91,473	94,887	94,887	98,840	112,738	120,109
Housing		53,526	61,238	43,614	29,471	51,163	51,163	27,517	30,459	14,857
Health		3,815	4,005	4,326	4,434	4,444	4,444	4,665	4,968	5,288
<i>Economic and environmental services</i>		30,987	38,697	39,157	53,858	60,553	60,553	74,265	78,409	82,355
Planning and development		7,401	9,481	10,402	14,400	14,378	14,378	14,689	14,555	14,870
Road transport		22,335	27,880	27,457	37,673	44,392	44,392	57,716	61,872	65,371
Environmental protection		1,251	1,336	1,298	1,785	1,783	1,783	1,860	1,983	2,113
<i>Trading services</i>		233,579	243,779	258,975	274,538	285,738	285,738	330,771	334,660	353,003
Electricity		153,292	157,586	159,031	168,672	176,650	176,650	195,272	210,150	221,233
Water		41,917	41,745	47,476	51,891	55,035	55,035	69,096	54,056	57,329
Waste water management		17,653	20,209	23,520	25,044	24,800	24,800	39,259	38,418	40,467
Waste management		20,716	24,240	28,947	28,931	29,253	29,253	27,143	32,036	33,974
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Standard	3	495,042	582,151	603,588	635,833	681,666	681,666	734,042	772,165	798,903
Surplus/(Deficit) for the year		56,379	26,574	80,259	88,653	59,515	59,515	78,725	50,476	56,608

GFS Classification

This table reflects the operating budget in the Government Finance Statistics GFS Functions and Sub-functions standard classifications. These are used by NT to assist with the compilation of National and International accounts for

comparison purposes, regardless of the unique organisational structures used by the different institutions.

Revenue standard

As indicated on the table above, Electricity as well as Budget and Treasury Office are the main Generators of our Total Revenue followed by Water and Public Safety (Traffic Fines). The Public Safety Revenue is mainly as a result of new Accounting Treatment implemented from 2014/15 Adjustments budget for Traffic Fines. An 80% Debt impairment is provided for on Expenditure as currently Council, for various reasons, is only collecting 20% of the total value of fines issued.

Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand									
Revenue by Vote	1								
Vote 1 - Executive & Council		10,138	8,845	24,403	8,491	8,851	10,431	11,717	12,511
Vote 2 - Corporate Services		3,631	3,172	5,344	3,644	3,644	3,965	4,093	4,295
Vote 3 - Financial Services		153,079	157,171	174,514	183,534	185,834	204,746	221,422	232,424
Vote 5 - Planning & Development		63,353	64,022	47,345	57,068	60,098	90,552	35,616	17,236
Vote 6 - Community Services		43,585	89,208	127,055	125,282	130,282	134,848	145,869	154,009
Vote 7 - Electrical Services		188,138	200,293	204,072	238,609	235,609	251,167	275,892	299,271
Vote 8 - Technical Services		89,497	86,013	101,113	107,858	116,861	117,058	128,032	135,765
Total Revenue by Vote	2	551,421	608,725	683,847	724,487	741,180	812,767	822,641	855,511
Expenditure by Vote to be appropriated	1								
Vote 1 - Executive & Council		37,775	46,173	42,940	38,751	40,674	40,748	42,726	45,767
Vote 2 - Corporate Services		24,093	28,365	25,689	29,104	29,840	29,675	34,232	36,107
Vote 3 - Financial Services		38,105	42,225	46,421	53,382	51,447	58,899	62,754	65,890
Vote 5 - Planning & Development		65,831	76,033	61,039	49,056	70,790	47,505	50,649	35,720
Vote 6 - Community Services		81,397	127,569	160,386	166,027	171,253	178,889	202,007	214,914
Vote 7 - Electrical Services		159,178	164,531	162,141	178,034	184,557	203,354	218,649	230,152
Vote 8 - Technical Services		88,663	97,256	104,973	121,480	133,106	174,973	161,147	170,353
Total Expenditure by Vote	2	495,042	582,151	603,588	635,833	681,666	734,042	772,165	798,903
Surplus/(Deficit) for the year	2	56,379	26,574	80,259	88,653	59,515	78,725	50,476	56,608

The above table provides Municipal Financial Performance on Municipal Vote as per MFMA and various points of note in this table are as follows:

Revenue

An overall increase of 10% or R71.6 million against the 2015/16 Adjusted budget and this is mainly in Planning and Development with 51% (R30.4 million) increase as a result of the Transfers Recognised Capital for Housing Capital Programmes, 10% (R17 million) increase under Finance mainly on the Property rates as well as 7% (R16 million) under Electrical Services.

Expenditure

An overall increase of 8% or R52.3 million against the 2015/16 Adjusted budget and the following Votes attributes to this increase:

- Vote 8 - Technical Services: primarily to address Roads, Sewer and Water Infrastructure
- Vote 7 - Electrical Services: in order to accommodate the under provision of Bulk Purchases for Electricity as well as Finance Charges considering the municipality's plans to increase borrowings and the potential hike in interest rates.

- Vote 6 - Community Services: mainly as a result of more than 80% increase on the Provincial Library Grant to be received for 2016/17 financial year against the 2015/16 financial year allocation and an additional R1 million relating to personnel costs associated with the Youth Advisory Centres.

Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue By Source											
Property rates	2	139,988	143,966	155,654	171,416	171,416	171,416	171,416	187,701	203,387	213,556
Property rates - penalties & collection charges		2,487	3,065	3,207	3,014	3,014	3,014	3,014	3,300	3,576	3,755
Service charges - electricity revenue	2	172,199	181,348	188,282	215,015	212,015	212,015	212,015	228,213	249,584	272,047
Service charges - w ater revenue	2	43,078	43,530	50,819	52,571	52,571	52,571	52,571	57,565	62,928	66,074
Service charges - sanitation revenue	2	10,232	10,898	11,886	12,329	12,329	12,329	12,329	13,427	14,727	15,464
Service charges - refuse revenue	2	13,459	14,188	15,493	16,504	16,504	16,504	16,504	18,072	24,261	25,474
Service charges - other		2,334	2,574	2,212	3,976	3,976	3,976	3,976	4,330	4,525	4,751
Rental of facilities and equipment		3,563	4,138	6,450	5,482	5,482	5,482	5,482	5,970	6,148	6,455
Interest earned - external investments		6,589	5,944	7,757	3,200	5,200	5,200	5,200	8,171	8,579	9,008
Interest earned - outstanding debtors		3,237	3,617	4,631	3,542	3,542	3,542	3,542	3,095	3,234	3,381
Fines		13,964	49,910	85,683	79,471	84,471	84,471	84,471	85,321	89,587	94,067
Licences and permits		1,674	1,643	1,642	2,179	2,179	2,179	2,179	1,399	1,469	1,543
Agency services		1,809	2,161	2,431	1,850	1,850	1,850	1,850	2,596	2,726	2,862
Transfers recognised - operational		83,819	96,160	91,024	93,803	113,866	113,866	113,866	98,458	109,585	98,339
Other revenue	2	8,455	7,750	14,927	3,619	3,979	3,979	3,979	4,333	4,562	4,790
Gains on disposal of PPE		2,816	327	10,000	250	250	250	250	250	250	250
Total Revenue (excluding capital transfers and contributions)		509,703	571,219	652,096	668,222	692,645	692,645	692,645	722,201	789,128	821,816
Expenditure By Type											
Employee related costs	2	151,924	161,925	174,964	196,737	196,491	196,491	196,491	203,056	216,911	231,755
Remuneration of councillors		5,908	6,240	6,474	6,817	6,817	6,817	6,817	8,288	8,722	9,176
Debt impairment	3	20,480	54,733	72,076	76,339	76,339	76,339	76,339	76,464	92,248	98,521
Depreciation & asset impairment	2	21,403	21,792	26,543	25,918	25,918	25,918	25,918	30,000	38,233	39,086
Finance charges		14,876	21,135	20,866	13,962	13,650	13,650	13,650	18,342	19,259	20,222
Bulk purchases	2	122,262	123,733	128,222	132,465	145,465	145,465	145,465	159,138	168,368	178,134
Other materials	8	18,177	21,889	20,935	21,774	22,167	22,167	22,167	28,203	12,460	13,163
Contracted services		17,128	18,694	24,536	26,425	23,547	23,547	23,547	22,056	22,001	22,483
Transfers and grants		5,610	5,001	5,373	5,631	5,922	5,922	5,922	5,877	5,867	5,961
Other expenditure	4, 5	114,022	146,448	122,835	129,767	165,352	165,352	165,352	182,619	188,096	180,404
Loss on disposal of PPE		3,251	562	764	-	-	-	-	-	-	-
Total Expenditure		495,042	582,151	603,588	635,833	681,666	681,666	681,666	734,042	772,165	798,903
Surplus/(Deficit)											
		14,662	(10,932)	48,508	32,388	10,979	10,979	10,979	(11,841)	16,963	22,913
Transfers recognised - capital		41,023	32,917	30,964	56,265	48,535	48,535	48,535	90,566	33,513	33,695
Contributions recognised - capital	6	695	4,589	787	-	-	-	-	-	-	-
Contributed assets											
Surplus/(Deficit) after capital transfers & contributions		56,379	26,574	80,259	88,653	59,515	59,515	59,515	78,725	50,476	56,608
Taxation											
Surplus/(Deficit) after taxation		56,379	26,574	80,259	88,653	59,515	59,515	59,515	78,725	50,476	56,608
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		56,379	26,574	80,259	88,653	59,515	59,515	59,515	78,725	50,476	56,608
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		56,379	26,574	80,259	88,653	59,515	59,515	59,515	78,725	50,476	56,608

The issues to note on this table are:

a) Revenue

- An overall 4% or R29.6 million increase on Revenue mainly as a result of the 8.9% average increase approved in Rates and other Services Charges tariffs.
- The average increase on the electricity tariffs at Knysna municipality approximates 7.6% notwithstanding that the individual tariffs levied within the electricity category will differ subsequent to an extensive electricity tariff exercise undertaken by Council.

- A decrease of R15.4 million on Transfers Recognised capital mainly as a result of the Nekkie Intersection Grant rolled-over in 2015/16 Adjustments Budget will not be received in 2016/17.

b) Expenditure

- An overall 8% or R52.4 million increase on Expenditure in order to cover mainly Roads Repairs and Maintenance programmes as well as Sewer Infrastructure projects; and various other community projects.
- Employee Related costs increase by 3% overall against the adjusted budget.

Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
1) Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - Executive & Council		264	2,369	219	-	-	-	-	-	-	-
Vote 2 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 3 - Financial Services		26	1,390	240	-	-	-	-	-	-	-
Vote 4 - Strategic Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Planning & Development		13,679	12,515	9,771	29,372	19,522	19,522	19,522	57,353	-	-
Vote 6 - Community Services		-	-	-	1,030	430	430	430	11,527	8,772	8,772
Vote 7 - Electrical Services		2,064	901	3,721	15,863	15,932	15,932	15,932	10,332	4,309	2,632
Vote 8 - Technical Services		26,069	4,826	15,081	28,617	29,862	29,862	29,862	24,950	20,189	24,059
Capital multi-year expenditure sub-total	7	42,102	22,001	29,032	74,882	65,746	65,746	65,746	104,162	33,270	35,463
Single-year expenditure to be appropriated	2										
Vote 1 - Executive & Council		1,771	3,312	1,871	4,600	6,122	6,122	6,122	2,220	20	-
Vote 2 - Corporate Services		133	229	58	10	10	10	10	7,050	10	-
Vote 3 - Financial Services		1,132	1,664	2,901	1,975	1,825	1,825	1,825	1,402	745	-
Vote 4 - Strategic Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Planning & Development		2,651	4,649	740	260	260	260	260	-	20	20
Vote 6 - Community Services		5,400	13,987	9,309	9,952	12,869	12,869	12,869	13,306	6,480	1,000
Vote 7 - Electrical Services		11,342	18,168	8,216	4,257	5,688	5,688	5,688	10,403	5,640	5,848
Vote 8 - Technical Services		10,603	6,853	9,662	6,747	15,291	15,291	15,291	33,947	28,858	81,858
Capital single-year expenditure sub-total		33,032	48,862	32,756	27,801	42,064	42,064	42,064	68,327	41,773	88,726
Total Capital Expenditure - Vote		75,134	70,863	61,788	102,683	107,810	107,810	107,810	172,489	75,043	124,188
2) Capital Expenditure - Standard											
Governance and administration		5,327	10,016	6,282	6,995	8,357	8,357	8,357	12,184	835	20
Executive and council		2,035	5,636	2,090	4,600	6,122	6,122	6,122	2,220	20	-
Budget and treasury office		82	1,780	2,208	1,215	847	847	847	120	-	-
Corporate services		3,209	2,600	1,984	1,180	1,388	1,388	1,388	9,844	815	20
Community and public safety		18,482	19,722	17,744	37,304	29,173	29,173	29,173	77,069	14,992	9,772
Community and social services		732	10,067	5,791	5,312	6,370	6,370	6,370	16,226	14,772	9,772
Sport and recreation		1,541	855	1,701	2,400	3,176	3,176	3,176	1,290	-	-
Public safety		-	2,342	658	-	35	35	35	2,200	220	-
Housing		16,209	6,458	9,594	29,592	19,592	19,592	19,592	57,353	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		2,748	7,729	2,499	3,747	6,683	6,683	6,683	7,312	1,432	3,248
Planning and development		86	-	889	-	150	150	150	-	-	-
Road transport		2,662	3,422	1,610	3,747	6,533	6,533	6,533	7,312	1,432	3,248
Environmental protection		-	4,308	-	-	-	-	-	-	-	-
Trading services		48,577	33,395	35,263	54,637	63,598	63,598	63,598	75,925	57,784	111,148
Electricity		13,405	19,025	11,909	20,120	21,620	21,620	21,620	20,735	9,949	8,480
Water		12,377	12,136	18,072	20,677	23,541	23,541	23,541	31,348	36,190	78,434
Waste water management		21,105	2,234	4,884	11,360	15,399	15,399	15,399	21,451	11,425	24,234
Waste management		1,689	-	398	2,480	3,038	3,038	3,038	2,390	220	-
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	3	75,134	70,862	61,788	102,683	107,810	107,810	107,810	172,489	75,043	124,188
3) Funded by:											
National Government		26,383	25,006	20,940	25,532	25,532	25,532	25,532	31,259	33,513	33,695
Provincial Government		14,472	7,830	10,024	30,733	23,003	23,003	23,003	59,307	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		169	81	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	41,023	32,917	30,964	56,265	48,535	48,535	48,535	90,566	33,513	33,695
Public contributions & donations	5	695	4,519	-	-	-	-	-	-	-	-
Borrowing	6	19,847	14,318	12,152	11,902	19,348	22,206	22,206	28,013	13,601	23,803
Internally generated funds		13,569	19,108	18,672	34,516	39,927	39,400	39,400	53,910	27,929	66,690
Total Capital Funding	7	75,134	70,862	61,788	102,683	107,810	110,142	110,142	172,489	75,043	124,188

- The substantial increase in capital expenditure from R 107,8 million (adjusted budget 2015/16) to R 172,5 million is largely the result of aging sewerage infrastructure that needs to be replaced and additional water infrastructure necessitated by the ongoing drought.
- 60% of the total 2016/17 Capital Allocation is for multi-year projects mainly in Planning and Development (Knysna Vision 2002); Technical and Electrical Services as well as Community Services and the 40% relates to single year projects.
- 53% (R90.6 million) of total allocation (R172.5 million) relates to Provincial and National Grants in terms of Funding Sources, 31% (R53.9 million) Internally Generated Funds of which R23 million is from the DBSA investment that will be redeemed in 2016/17, and the balance of 16% (R28 million) is attributed to Borrowings.
- The R28 million Borrowings are forecasted in 2016/17 mainly to cover a 20% contribution to MIG projects, Knysna WWTW Screw press, New Cemetery in Knysna, Upgrade Gray Street, Upgrade main Sewer Pump Station and sewers in the CBD, Hornlee Water Infill Scheme, Hornlee Infill Scheme Sewer pump station, a Grader Vehicle in the Roads Department; and other various projects across Council. Refer to table SA36.

Table A6 - Budgeted Financial Position

Description		Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
ASSETS												
Current assets												
Cash			22,885	596	24,060	12,338	26,302	26,303	35,516	515	(5,332)	(30,228)
Call investment deposits	1		23,276	17,983	36,838	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Consumer debtors	1		67,199	68,111	101,140	72,107	115,125	115,125	115,125	128,282	148,622	174,228
Other debtors			9,514	9,379	2,926	18,102	3,102	3,102	3,102	3,307	3,512	3,719
Current portion of long-term receivables			115	125	67	125	67	67	67	67	67	67
Inventory	2		8,540	7,319	5,772	7,841	6,118	6,118	6,118	6,522	6,926	7,335
Total current assets			131,528	103,513	170,803	120,513	160,714	160,714	169,928	148,692	163,795	165,121
Non current assets												
Long-term receivables			2,295	355	125	1,968	125	125	125	125	125	125
Investments			19,025	21,435	24,133	23,857	27,033	27,033	27,033	30,547	34,518	39,005
Investment property			110,321	110,321	103,321	110,321	103,321	103,321	103,321	103,321	103,321	103,321
Investment in Associate						—	—	—	—			
Property, plant and equipment	3		744,803	805,488	842,740	940,712	924,632	924,632	924,632	1,067,122	1,103,932	1,189,035
Agricultural							—	—	—			
Biological							—	—	—			
Intangible			992	53	27	700	27	27	27	27	27	27
Other non-current assets			22,741	20,920	21,015	19,057	19,057	19,057	21,015	21,015	21,015	21,015
Total non current assets			900,178	958,571	991,361	1,096,615	1,074,195	1,074,195	1,076,153	1,222,157	1,262,938	1,352,529
TOTAL ASSETS			1,031,705	1,062,084	1,162,164	1,217,128	1,234,909	1,234,909	1,246,081	1,370,849	1,426,734	1,517,650
LIABILITIES												
Current liabilities												
Bank overdraft	1			1,276				—	—			
Borrowing	4		18,130	17,602	11,016	17,500	17,016	17,016	10,882	11,658	15,035	19,535
Consumer deposits			9,658	10,012	10,413	11,246	10,413	10,413	10,413	11,975	13,771	15,837
Trade and other payables	4		55,980	61,786	66,072	54,495	65,180	65,180	59,399	66,653	76,652	88,149
Provisions			21,650	21,320	22,545	22,386	23,897	23,897	23,897	25,475	27,258	29,166
Total current liabilities			105,418	111,997	110,045	105,627	116,506	116,506	104,591	115,761	132,715	152,687
Non current liabilities												
Borrowing			129,597	102,985	118,501	100,354	123,095	123,095	151,126	168,257	170,199	155,164
Provisions			93,670	110,196	116,452	125,650	121,841	121,841	121,841	133,670	142,807	152,483
Total non current liabilities			223,267	213,181	234,953	226,004	244,935	244,935	272,966	301,927	313,007	307,647
TOTAL LIABILITIES			328,685	325,178	344,999	331,631	361,441	361,441	377,558	417,688	445,722	460,334
NET ASSETS			703,020	736,906	817,165	885,497	873,468	873,468	868,524	953,161	981,012	1,057,315
COMMUNITY WEALTH/EQUITY												
Accumulated Surplus/(Deficit)			641,670	678,958	732,173	817,347	788,476	788,476	788,476	866,392	893,942	969,946
Reserves	4		61,351	57,948	84,992	68,151	84,992	84,992	80,048	86,770	87,070	87,370
TOTAL COMMUNITY WEALTH/EQUITY			703,020	736,906	817,165	885,497	873,468	873,468	868,524	953,161	981,012	1,057,315

Table A7 - Budgeted Cash Flows

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges		135,528	132,672	189,317	165,709	165,709	165,709	165,709	181,451	196,615	206,443
Service charges		229,537	227,876	225,497	285,376	282,526	282,526	282,526	305,527	338,223	364,619
Other revenue		28,028	56,549	16,569	29,327	29,327	29,327	29,327	36,321	38,966	32,361
Government - operating	1	79,236	99,396	94,475	93,803	113,866	113,866	113,866	98,458	109,585	98,339
Government - capital	1	40,327	39,209	31,782	56,265	48,535	48,535	48,535	90,566	33,513	33,695
Interest		6,589	5,944	7,757	6,565	8,565	8,565	8,565	11,110	11,652	12,220
Dividends						-	-	-	-	-	-
Payments											
Suppliers and employees		(424,549)	(470,569)	(466,161)	(502,399)	(546,931)	(546,931)	(546,931)	(585,163)	(628,883)	(629,173)
Finance charges		(14,876)	(13,442)	(12,531)	(13,962)	(13,650)	(13,650)	(13,650)	(18,342)	(19,259)	(20,222)
Transfers and Grants	1			(5,373)	(5,631)	(5,340)	(5,340)	(5,340)	(5,877)	(5,867)	(5,961)
NET CASH FROM/(USED) OPERATING ACTIVITIES		79,820	77,636	81,331	115,053	82,607	82,607	82,607	114,052	74,545	92,324
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		2,881	329	17,000	250	250	250	250	250	250	250
Decrease (Increase) in non-current debtors		-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		-	-	-	125	125	125	125	-	-	-
Decrease (increase) in non-current investments		128	(2,410)	(2,698)	(1,136)	(2,698)	(2,698)	(2,698)	(3,514)	(3,971)	(4,487)
Payments											
Capital assets		(74,430)	(77,218)	(60,254)	(102,683)	(107,810)	(107,810)	(107,810)	(164,482)	(77,409)	(122,317)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(71,422)	(79,299)	(45,952)	(103,444)	(110,133)	(110,133)	(110,133)	(167,747)	(81,130)	(126,554)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	14,157	14,732	22,206	22,206	22,206	28,013	13,601	23,803
Increase (decrease) in consumer deposits		369	354	401	433	425	425	425	1,562	1,796	2,066
Payments											
Repayment of borrowing		(18,110)	(27,549)	(6,342)	(19,700)	(19,700)	(19,700)	(10,486)	(10,882)	(14,658)	(16,535)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(17,740)	(27,194)	8,215	(4,536)	2,931	2,931	12,145	18,693	739	9,334
NET INCREASE/ (DECREASE) IN CASH HELD		(9,342)	(28,858)	43,595	7,073	(24,595)	(24,595)	(15,382)	(35,002)	(5,846)	(24,896)
Cash/cash equivalents at the year begin:	2	55,503	46,161	17,303	15,265	60,898	60,898	60,898	45,516	10,515	4,668
Cash/cash equivalents at the year end:	2	46,161	17,303	60,898	22,338	36,303	36,303	45,516	10,515	4,668	(20,228)

Table A8 - Cash backed reserves/accumulated deficit reconciliation

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	46,161	17,303	60,898	22,338	36,303	36,303	45,516	10,515	4,668	(20,228)
Other current investments > 90 days		0	0	0	0	(0)	-	-	-	-	-
Non current assets - Investments	1	19,025	21,435	24,133	23,857	27,033	27,033	27,033	30,547	34,518	39,005
Cash and investments available:		65,186	38,738	85,031	46,195	63,335	63,335	72,549	41,062	39,186	18,778
Application of cash and investments											
Unspent conditional transfers		1,262	9,966	11,394	1,754	1,439	1,439	1,439	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	(19,853)	(17,440)	(28,047)	(24,816)	(34,841)	(34,841)	(40,622)	(45,363)	(53,608)	(62,300)
Other provisions											
Long term investments committed	4	19,025	21,435	24,133	23,857	27,033	27,033	27,033	30,547	34,518	39,005
Reserves to be backed by cash/investments	5	14,725	11,526	38,772	21,728	38,772	38,772	33,828	40,550	40,850	41,150
Total Application of cash and investments:		15,159	25,486	46,251	22,523	32,403	32,403	21,678	25,735	21,760	17,856
Surplus(shortfall)		50,027	13,252	38,779	23,672	30,932	30,932	50,872	15,327	17,427	922

The MTREF for last year pointed out the concerns that far more attention needed to be paid to minimising debt at an early stage, that is, before it reaches 90 days. After that point debt recovery, especially on services other than rates or electricity, becomes very problematic.

Council will continue to follow the iron fist in a velvet glove approach to credit control. Sadly however, we have had to take the harder approach of handing over more debtors to our debt collectors for direct action. This is most especially in regard to assessment rates—the tax—and for charges on vacant land.

Knysna Municipality is projecting to have outstanding borrowings of R168 million for 2016/17. This has significantly went up compared to current year total borrowings mainly due to the additional R7.4 million borrowing added in 2015/16 Adjusted budget as we all R28 million planned for 2016/17 in order to fund Capital Programmes.

Table SA8 entitled Performance Indicators confirms the downward trends in both our Gearings and our Debt to Equity ratios.

Table A9 - Asset Management

Description	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand									
CAPITAL EXPENDITURE									
Total New Assets	37,361	30,934	37,604	67,544	67,560	67,560	104,064	26,181	21,629
Infrastructure - Road transport	610	3,322	5,491	5,288	8,684	8,684	1,902	912	1,688
Infrastructure - Electricity	6,378	9,477	4,524	14,640	15,314	15,314	4,165	4,079	3,230
Infrastructure - Water	11,054	325	12,746	6,241	9,141	9,141	5,876	5,165	5,634
Infrastructure - Sanitation	722	1,219	354	—	—	—	9,711	1,243	1,305
Infrastructure - Other	927	56	398	1,430	830	830	1,400	—	—
Infrastructure	19,691	14,399	23,513	27,599	33,970	33,970	23,053	11,399	11,857
Community	16,808	13,815	10,101	34,195	25,293	25,293	73,474	14,772	9,772
Other assets	862	2,720	3,990	5,750	8,297	8,297	7,537	10	—
Total Renewal of Existing Assets	37,773	36,928	24,184	35,139	40,250	40,250	68,425	48,862	102,560
Infrastructure - Road transport	1,125	4,515	—	600	2,600	2,600	5,120	895	2,685
Infrastructure - Electricity	7,414	9,110	6,430	3,600	3,669	3,669	9,980	5,800	5,250
Infrastructure - Water	768	2,456	6,501	14,436	14,180	14,180	25,473	31,026	72,801
Infrastructure - Sanitation	20,205	528	569	8,229	10,067	10,067	9,691	9,807	21,804
Infrastructure - Other	—	—	—	600	—	—	300	—	—
Infrastructure	29,511	16,609	13,500	27,465	30,516	30,516	50,563	47,527	102,540
Community	1,534	10,675	5,586	4,819	5,716	5,716	3,755	—	—
Other assets	6,698	9,645	5,098	2,855	4,019	4,019	14,107	1,335	20
Intangibles	30	—	—	—	—	—	—	—	—
Total Capital Expenditure									
Infrastructure - Road transport	1,735	7,837	5,491	5,888	11,284	11,284	7,022	1,807	4,373
Infrastructure - Electricity	13,792	18,588	10,955	18,240	18,983	18,983	14,145	9,879	8,480
Infrastructure - Water	11,821	2,781	19,246	20,677	23,321	23,321	31,348	36,190	78,434
Infrastructure - Sanitation	20,927	1,746	923	8,229	10,067	10,067	19,401	11,050	23,109
Infrastructure - Other	927	56	398	2,030	830	830	1,700	—	—
Infrastructure	49,202	31,008	37,013	55,064	64,485	64,485	73,617	58,926	114,396
Community	18,342	24,490	15,687	39,014	31,009	31,009	77,229	14,772	9,772
Other assets	7,560	12,365	9,089	8,605	12,316	12,316	21,644	1,345	20
Intangibles	30	—	—	—	—	—	—	—	—
TOTAL CAPITAL EXPENDITURE - Asset class	75,134	67,863	61,788	102,683	107,810	107,810	172,489	75,043	124,188
ASSET REGISTER SUMMARY - PPE (WDV)									
Infrastructure - Road transport	83,748	97,708	105,293	87,093	107,543	107,543	108,470	104,418	102,833
Infrastructure - Electricity	128,432	145,418	160,698	174,235	175,339	175,339	184,634	189,761	193,583
Infrastructure - Water	191,647	143,991	166,805	222,500	184,315	184,315	206,473	224,711	284,118
Infrastructure - Sanitation	81,446	106,144	114,167	90,428	120,590	120,590	136,054	143,246	162,574
Infrastructure - Other	1,200	27,277	1,861	4,148	2,564	2,564	3,425	2,604	1,798
Infrastructure	486,473	520,538	548,822	578,404	590,350	590,350	639,057	664,739	744,906
Community	28,763	236,118	243,254	111,898	277,001	277,001	352,466	365,509	373,620
Heritage assets	22,741	20,920	21,015	19,053	19,057	21,015	21,015	21,015	21,015
Investment properties	110,321	110,321	103,321	110,321	103,321	103,321	103,321	103,321	103,321
Other assets	229,567	48,831	50,663	250,414	57,282	57,282	75,599	73,684	70,509
Intangibles	992	53	27	700	27	27	27	27	27
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	878,857	936,781	967,103	1,070,790	1,047,037	1,048,996	1,191,485	1,228,295	1,313,398
EXPENDITURE OTHER ITEMS									
Depreciation & asset impairment	21,403	21,792	26,543	25,918	25,918	25,918	30,000	38,233	39,086
Repairs and Maintenance by Asset Class	27,656	34,925	29,207	42,932	43,701	43,701	80,870	85,928	90,652
Infrastructure - Road transport	4,202	9,196	6,110	15,936	15,029	15,029	34,925	36,986	39,168
Infrastructure - Electricity	6,156	6,330	4,125	6,693	5,123	5,123	6,108	6,776	6,875
Infrastructure - Water	2,360	3,301	4,830	5,515	6,202	6,202	9,609	10,179	10,781
Infrastructure - Sanitation	1,666	2,187	3,600	2,779	5,199	5,199	16,089	17,038	18,043
Infrastructure - Other	—	—	442	181	116	116	100	107	113
Infrastructure	14,384	21,015	19,707	31,703	31,668	31,668	66,831	71,085	74,980
Community	5,878	4,838	1,119	1,063	1,348	1,348	1,643	1,750	1,855
Other assets	7,394	9,072	8,981	10,765	10,685	10,685	12,395	13,094	13,818
TOTAL EXPENDITURE OTHER ITEMS	49,059	56,716	55,750	68,849	69,619	69,619	110,870	124,161	129,738
Renewal of Existing Assets as % of total capex	50.3%	54.4%	39.1%	34.2%	37.3%	37.3%	39.7%	65.1%	82.6%
Renewal of Existing Assets as % of deprecn"	176.5%	169.5%	91.1%	135.6%	155.3%	155.3%	228.1%	127.8%	262.4%
R&M as a % of PPE	3.7%	4.3%	3.5%	4.6%	4.7%	4.7%	7.6%	7.8%	7.6%
Renewal and R&M as a % of PPE	7.0%	8.0%	6.0%	7.0%	8.0%	8.0%	13.0%	11.0%	15.0%

Table A10 - Basic service delivery measurement

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Household service targets	1									
Water:										
Piped water inside dwelling		14 977	15 237	15 775	16 341	16 341	16 341	16 990	17 670	18 380
Piped water inside yard (but not in dwelling)		2 636	2 701	2 856	2 899	2 899	2 899	3 010	3 130	3 260
Using public tap (at least min.service level)	2	3 464	3 571	3 768	3 744	3 744	3 744	3 890	4 050	4 210
Other water supply (at least min.service level)	4	—	—	—	—	—	—	—	—	—
<i>Minimum Service Level and Above sub-total</i>		21 077	21 509	22 399	22 984	22 984	22 984	23 890	24 850	25 850
Using public tap (< min.service level)	3	841	866	932	929	929	929	970	1 010	1 050
Other water supply (< min.service level)	4	361	371	374	382	382	382	400	420	440
No water supply		—	—	—	—	—	—	—	—	—
<i>Below Minimum Service Level sub-total</i>		1 202	1 237	1 306	1 311	1 311	1 311	1 370	1 430	1 490
Total number of households	5	22 279	22 746	23 705	24 295	24 295	24 295	25 260	26 280	27 340
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		16 927	17 236	17 863	18 454	18 454	18 454	19 190	19 960	20 760
Flush toilet (with septic tank)		—	—	—	—	—	—	—	—	—
Chemical toilet		—	—	—	—	—	—	—	—	—
Pit toilet (ventilated)		2 014	2 074	2 112	2 109	2 109	2 109	2 190	2 280	2 370
Other toilet provisions (> min.service level)		—	—	—	—	—	—	—	—	—
<i>Minimum Service Level and Above sub-total</i>		18 941	19 310	19 975	20 563	20 563	20 563	21 380	22 240	23 130
Bucket toilet		497	510	522	528	528	528	550	570	590
Other toilet provisions (< min.service level)		—	—	—	—	—	—	—	—	—
No toilet provisions		2 841	2 926	3 208	3 204	3 204	3 204	3 330	3 460	3 600
<i>Below Minimum Service Level sub-total</i>		3 338	3 436	3 730	3 732	3 732	3 732	3 880	4 030	4 190
Total number of households	5	22 279	22 746	23 705	24 295	24 295	24 295	25 260	26 270	27 320
Energy:										
Electricity (at least min.service level)		19 749	20 141	20 957	21 548	21 548	21 548	22 410	23 310	24 240
Electricity - prepaid (min.service level)		—	—	—	—	—	—	—	—	—
<i>Minimum Service Level and Above sub-total</i>		19 749	20 141	20 957	21 548	21 548	21 548	22 410	23 310	24 240
Electricity (< min.service level)		—	—	—	—	—	—	—	—	—
Electricity - prepaid (< min. service level)		—	—	—	—	—	—	—	—	—
Other energy sources		2 530	2 605	2 748	2 747	2 747	2 747	2 860	2 970	3 090
<i>Below Minimum Service Level sub-total</i>		2 530	2 605	2 748	2 747	2 747	2 747	2 860	2 970	3 090
Total number of households	5	22 279	22 746	23 705	24 295	24 295	24 295	25 270	26 280	27 330
Refuse:										
Removed at least once a week		20 724	21 151	22 058	22 630	22 630	22 630	23 540	24 480	25 460
<i>Minimum Service Level and Above sub-total</i>		20 724	21 151	22 058	22 630	22 630	22 630	23 540	24 480	25 460
Removed less frequently than once a week		162	165	168	172	172	172	180	190	200
Using communal refuse dump		319	329	351	351	351	351	370	380	400
Using own refuse dump		574	588	611	622	622	622	650	680	710
Other rubbish disposal		210	215	188	191	191	191	200	210	220
No rubbish disposal		290	298	329	329	329	329	340	350	360
<i>Below Minimum Service Level sub-total</i>		1 555	1 595	1 647	1 665	1 665	1 665	1 740	1 810	1 890
Total number of households	5	22 279	22 746	23 705	24 295	24 295	24 295	25 280	26 290	27 350
Highest level of free service provided per household										
Property rates (R value threshold)		65 000	100 000	100 000	100 000	100 000	100 000	80 000	100 000	100 000
Water (kilolitres per household per month)		6	6	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)		—	—	—	—	—	—	—	—	—
Sanitation (Rand per household per month)		50	—	—	—	—	—	—	—	—
Electricity (kwh per household per month)		50	50	50	50	50	50	50	50	50
Refuse (average litres per week)		170	170	170	170	170	170	170	170	170
Revenue cost of subsidised services provided (R'000)	9									
Water (in excess of 6 kilolitres per indigent household per month)		7 032	7 733	8 267	8 690	8 690	8 690	8 690	9 516	10 402
Sanitation (in excess of free sanitation service to indigent households)		1 105	1 191	1 240	1 171	1 171	1 171	1 171	1 275	1 402
Electricity/other energy (in excess of 50 kwh per indigent household per month)		3 063	3 461	3 757	3 667	3 667	3 667	3 667	3 947	4 317
Refuse (in excess of one removal a week for indigent households)		1 282	1 178	1 189	1 225	1 225	1 225	1 225	1 342	1 801

PART 2 - SUPPORTING DOCUMENTATION

Section 5 - Overview of Annual Budget Process

Annual planning processes

The MM has stated several times that in an economic downturn coupled with excessive increases for electricity then the financial elements of the IDP get turned on their head and makes the whole IDP and budget process a scarce resource allocation exercise as opposed to a proper planning one.

In recent years the operating budget of Knysna has been driven totally on the premise of cash flow and consumer affordability. Throughout South Africa there are municipalities in financial meltdown because of bad budgeting and by extension bad financial management. A bad budget automatically leads to increased non-payment and pressured cash flows.

A municipality is not a private sector company that can cut salaries or staffing levels. Nor can it cut its bulk Eskom payment or interest and redemption payments. The balance of the budget is for repairs and maintenance, stores and materials and other expenditures simply to make the municipality function and is zero-based. In this budget repairs and maintenance has again deliberately been prioritised to ensure a higher level of service delivery at the expense of “soft” services.

Budget Process 2016/17

The budget process followed the requirements of the MFMA. A schedule of key deadlines was prepared for tabling in Council by the Mayor prior to the end of August 2015 as required.

The draft budget will be tabled in Council on 31 March 2016. A period of consultation then followed as per the dictates of Sections 22 and 23 of the MFMA.

At the culmination of the process the Mayor must consider any representations and decide if any amendments should be made to the budget.

The Municipality's budget is prepared on a three year basis. This takes into account the National and Provincial three year allocations to the municipality and to ensure optional financial planning and provide for seamless service delivery. Additionally the National Treasury Budget Circulars request local government to highlight their projected increases over the next three years to give some certainty to customers.

Operating expenditure in 2016/17 is budgeted at R734 million, a 15% increase on the original budget for 2015/16, and 8% increase on the adjusted budget for 2015/16.

The municipality sets out measurable performance objectives to link the financial inputs of the budget to service delivery on the ground. This is done in the form of quarterly service targets and monthly financial targets that are contained in the Service Delivery and Budget Implementation Plan (SDBIP). The plan must be agreed by the Mayor within 28 days of approval of the final budget and forms the basis for the Municipality's in year monitoring.

Section 6 - Overview of Alignment of the Annual Budget with the Integrated Development Plan

Introduction

Municipalities are required to develop five year Integrated Development Plans which must be reviewed annually. It is also required that such plans must find expression in the Budget. The IDP and the budget are inter-related documents. The IDP is the budget in words, just as the budget is the IDP in figures. In the past two years comprehensive efforts have been made towards ensuring that the two documents are closely link.

Knysna's vision: Where People and Nature Prosper

The Knysna Municipality has a vision which drives the Integrated Development Plan namely that of "Where people and nature prosper".

Our greatest challenge has been to build our own absorptive capacity in order to ensure that such growth translates into economic development of the town. Critical to this is ensuring that the town has adequate infrastructure. The infrastructure investment requirements far outstrip our available income. The total requests from Directorates into the capital budget was R658 million. The challenge is always to prioritise what we can afford first and eliminate any "nice to have's".

All of these challenges are compounding on an already existing problem of disparity between the affluent communities of Knysna and our historically disadvantaged ones.

Key challenges facing Knysna

Knysna Municipality is faced with a complex set of development challenges; their outlook is consistent with the broader challenges facing local government albeit with some peculiarities:

i. Sustainable Infrastructure Investment

The growth of our less advantaged areas in recent years has put a lot of pressure on infrastructure. That growth—which cannot simply be stopped—will continue at a rate which the Municipality cannot match financially from its own resources.

ii. Focused development of the previously disadvantaged

The poorest communities in our areas are subjected to the worst living conditions and the Municipality has committed itself towards poverty

alleviation. Programmes with clear funding intentions are being designed for that purpose.

iii. Integrated Human Settlement

The provision of housing settlements with a strong emphasis on sustainability is an important issue for Knysna Municipality. Within the context of a composite set of development needs of the previously disadvantaged, the Municipality will address the need for housing, as far as it financially can. Although some of the obstacles regarding successful housing provision are not necessarily within the control of the municipality i.e. access to land, the challenge still remains for Council to devise creative strategies to deal with this matter. In line with that the Council has engaged with the other spheres of government i.e. Department of Water Affairs & Department of Public Works.

iv. The challenge of promoting Economic Development

Our Economic Development strategy focuses on mainstreaming previously disadvantaged people. Crucial to this is the need to work in partnership with relevant stakeholders in boosting employment and fostering SMMEs and our SCM policies and strategies have been tailored to support this challenge.

v. The challenge of ensuring municipal financial viability

A municipality lives and dies by its ability to balance needs with resources. Knysna Municipality cannot generate sufficient resources to properly satisfy all its residents and stakeholder needs. Therefore those needs will have to be managed and dealt with in a financially sustainable manner. Promises of quick and easy solutions are simply lies. The biggest challenge will be in trying to maintain service standards at current levels and where the municipality should lessen its standards.

vi. The challenge of municipal transformation and institutional development

Staff development is crucial to meet the challenges of Knysna and the new ethos of local government. The Employment Equity imperatives have to be assessed continually to ensure that Knysna Municipality's transformation remains in line with the broader transformation agenda of South Africa. Knysna does not have the luxury of competing in terms of salary and therefore our ability to attract qualified and quality staff is severely limited. We must therefore endeavour to develop from within. The municipality is currently engaged in an organisational review with a view to optimising our human capital.

vii. Public Participation

Public Participation is an important feature of any democratic environment. Although the legislative environment provides adequately for public

participation, Knysna Municipality is challenged to ensure that it continues to build on its successes over the last few years.

Section 7 - Measurable Performance Objectives and Indicators

Indicators and ratios

The key financial indicators and ratios mentioned below are disclosed in Annexure 2, 'Supporting Table SA8: Performance indicators and benchmarks':

- Borrowing management
- Safety of capital
- Liquidity
- Debtors' and creditors' management
- Mix of expenditure types
- Mix of revenue sources
- Unaccounted for losses in respect of services rendered

Funding measure ratios are disclosed in Annexure 2 'Supporting Table SA10: Funding measurement'.

Drinking water quality and waste water management

Due to concerns surrounding the quality of municipal drinking water and failures in the management of waste water, National Treasury requires that the following section is included in the 2016/17 budget document.

Water Services Authority & Water Services Provider:
Knysna Municipality

Blue Drop Status

The quality of the drinking water supply in the Greater Knysna Municipal Area is tested monthly by the municipality itself as well as the Eden District Municipality and the quality of potable water is constantly above the national norms. Council has received Blue Drop Status for the Karatara Water Treatment Works previously and continuously strives to achieve the same accolade at other plants.

Domestic users are still the main user of water in the area, followed by the industrial sector and lastly agriculture. Household usage normally peaks in the holiday season during December - February when the holiday houses are usually 100% occupied

Green Drop Status

Knysna Municipality places a high priority on sanitation services and one of the Municipality's greatest challenges regarding sanitation is to expand the infrastructure to meet future development requirements. The Council realises that the achievement of its strategic objectives relies heavily on the establishment of proper infrastructure for basic service delivery and the maintenance thereof. None of the existing seven waste water treatment works in the GKMA has Green Drop Status and the municipality is continuously improving on its efforts to achieve Green Drop Status for its major systems. The functioning of the Knysna waste water treatment works was of critical concern given its proximity to the estuary and the aged infrastructure. A major upgrade and refurbishment of the Knysna waste water treatment works has been completed and will allow additional capacity to the sewerage works. This will certainly unlock business development potential, attract investment to the area and facilitate the implementation of residential development. A proper final effluent quality control programme is functional to minimise the risk of pollution of the estuary and ground water sources. The outflow from the plant is monitored by the Eden District Municipality, and this monitoring includes monitoring several sites in the Knysna estuary.

Challenges

The challenges, as mentioned, are for capital funding to provide additional capacity for bulk water and sewer services to meet the growth of the various towns. Grant funding is currently used and additional grant funding is being applied for, however an extended period is envisaged to fund all constraints to growth resulting from the water and waste water services. Human Resources also are a challenge and need to be addressed within the operational budget by growing one's own timber.

Section 8 - Overview of Budget Related Policies

The detailed policies themselves are not included in this section of the budget documentation.

See Annexure 5 to this document for the full policies.

Policies are also available at the Council offices in Clyde Street for viewing as well as on the Internet at www.knysna.gov.za. This section gives a **broad overview** of the budget policy framework and highlights the amended policies to be approved by Council resolution.

Name of Policy	Type	Date of Council adoption	Purpose / Basic areas covered by Policy	Summary of proposed changes for adoption in May 2016
REVENUE RELATED				
Rates	Amended	26 May 2016	Setting criteria for establishing rates tariffs	Minor, payment terms, interest levied.
Tariff policy	Not amended	26 May 2016	Guidelines and requirements pertaining to different tariff types	Will be done during public participation process
Credit control	Amended	26 May 2016	Principles and guidelines to be followed with respect to arrear consumer debt control	Minor
Indigent support & social rebate	Amended	26 May 2016	Guidelines and procedures for the subsidization of rates and basic services to indigent households	Minor
BUDGET AND EXPENDITURE RELATED				
Liability, investment & cash management	Amended	26 May 2016	Guideline of procedures to be followed when investing or lending money	Minor
Budget	Amended	26 May 2016	Sets out rules and procedures to be followed in the compilation and management of the budget	Changes that address mSCOA

Supply chain management	Amended	26 May 2016	Dictates procedures for the procurement of goods and services	Various amendments
Long Term Financial Planning Policy	First Time	26 May 2016	Provides guidelines to be followed in the compilation of a Long Term Financial Plan	New
Funding and reserves policy	Amended	26 May 2016	Sets standards and guidelines for financial viability	Minor

Section 9 - Overview of Budget Assumptions

Introduction

Knysna's financial system still operates on the big wheel, little wheel principle, the same as virtually every other local authority outside the major metropolitan areas. What this means is that the middle to upper income groupings are billed for the vast majority of Council services. In the municipality the established areas take up 94% of debits raised as against 6% in the previously disadvantaged areas.

Budget Assumptions

Budgets are prepared in an environment of uncertainty. To prepare meaningful budgets, assumptions need to be made about internal and external factors that could influence the budget.

External factors (population migration, employment, etc.)

As evidenced in the latest census over recent years Knysna has experienced rapid population growth particularly at the poorer end of the economic scale. Knysna is a victim of the success of its low income housing programme. The population growth must be seen against the backdrop of very limited developable land, a sensitive environment and the lack of new jobs being created in the local economy. This presents a huge challenge to Council to improve the efficiency of its urban systems. The unique and sensitive environment of Greater Knysna is under pressure and Council has to manage the growth demands of the economy very rigidly to ensure environmental sustainability.

Growth or decline in tax base of the municipality

No growth has been built in as future growth in the tax base over the MTREF.

The revised headline CPI forecasts from National Treasury for 2016/17, 2017/18 and 2018/19 are 6.8%, 6.3% and 5.9% respectively. The growth parameters apply to tariff increases for property rates, user and other charges raised by municipalities and municipal entities, to ensure that all spheres of government support the national macroeconomic policies. NT has communicated that any rate or tariff increase above 6% must be fully communicated to the community.

Rates, tariffs, charges and timing of revenue collection

The rates, tariffs and charges for the 2016/17 budget are included in Annexure 3.

The following table shows the assumed average domestic percentage increases built into the MTREF for rates, tariffs and charges:

MTREF 2016/2017 - 2018/19

	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>
Rates	8.9%	9%	9%
Refuse	9.5%	9%	9%
Water- fixed and consumption	9.5%	12%	12%
Sewer	8.9%	9%	9%
Electricity - monthly consumption tariff	7.6%	9%	9%

The Municipality has in place a fair but rigorous credit control policy. Furthermore, its policy on indigent support and social rebates means that many households who would normally struggle to pay their accounts receive free or subsidised basic services thereby keeping them free of the burden of municipal debt. Nevertheless, there will always be an element of the total amount billed that will remain uncollected. The Municipality is the same as any other business in this regard. Adequate provision has to be made in the budget for any bad debts based on assumptions on collection rates.

The following bad debt provisions and collection rates are assumed in the MTREF for rates and tariffs.

<u>R '000</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>
Annual contribution to provision for bad and doubtful debts Table A4: Debt impairment	76,464	92,248	98,521
Assumed collection rate(%)	94.0%	94.0%	95.0%

The following amounts are included in the MTREF for increases in bulk purchases:

<u>R '000</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>
Bulk Purchases Table A4: Bulk purchases	159,138	168,368	178,134

More detail relating to specific items can be found in Annexure 2, 'Supporting Table SA1: Supporting detail to 'Budgeted Financial Performance'.

Trends in demand for free or subsidised basic services

Knysna's criteria for supporting free or subsidised basic services are set out in our Indigent Support and Social Rebate Policy. The Government allocates revenue via the Division of Revenue Act (DORA) in the form of the Equitable Share with the primary aim of assisting municipalities with the costs of providing free or subsidised basic services.

Section 10 - Overview of Budget Funding

Funding the Budget

Section 18(1) of the MFMA states that an annual budget may only be funded from:

- Realistically anticipated revenues to be collected;
- Cash backed accumulated funds from previous years' not committed for other purposes; and
- Borrowed funds, but only for the capital budget referred to in section 17.

Achievement of this requirement in totality effectively means that a Council has 'balanced' its budget by ensuring that budgeted outflows will be offset by a combination of planned inflows. Refer to Section 4, 'Table A8: Cash backed reserves/accumulated surplus reconciliation' and Annexure 2, 'Supporting Table SA10: Funding measurement'.

Fiscal Overview of Knysna Municipality

Knysna Municipality has over recent years moved to a position of relative financial stability. There is a high level of compliance with the Municipal Finance Management Act and other legislation directly affecting financial management. Knysna has received eight unqualified audits in a row with the last three being regarded as "clean". Knysna Municipality is also ready to adopt National Treasury's MSCOA Chart of Accounts effective 1 July 2016 and will be one of the first municipalities in South Africa to do so.

Section 11 - Expenditure on Allocations and Grant Programmes

Disclosure on expenditure on allocations and grant programmes is done by way of Annexure 2, “Supporting Table SA18: Transfers and grant receipts, Supporting Table SA19: Expenditure on transfers and grant programme and Supporting Table SA20: Reconciliation of transfers, grant receipts and unspent funds”.

Expenditure for each grant for the MTREF period is summarised in the table below. Note that the expenditures include the VAT portion that is recognised as expenditure on grant allocations per MFMA Circulars 48 and 58.

National and Provincial Conditional Grant Allocations 2015/16 to 2017/18					
Name of Grant	Allocating Authority / Department	Budget 2016/17 R'000	Indicative 2017/18 R'000	Indicative 2018/19 R'000	Purpose of the Grant
Integrated housing and human settlement development grant <i>Capital & Operational</i> <i>*Outer year figures are currently assumptions as final figures have not been gazetted</i>	Province/ Local Government and Housing	76,673	23,010	4,500	To finance the funding requirements of national housing programmes (excluding recurrent costs recoverable from assets falling under the pre-1994 stock). To facilitate the establishment and maintenance of integrated and sustainable human settlements to ensure economically viable and socially equitable communities in areas with ecological integrity.
Library Services <i>Capital & Operational</i>	Province/ Cultural Affairs and Sport	9,452	7,655	8,115	To enable public libraries to render an improved service by addressing staffing shortages.
Community Development Worker <i>Operational only</i>	Province/ Local Government and Housing	57	57	57	To provide financial assistance to municipalities to cover the operating costs pertaining to the functions of the CDW's

Maintenance of Proclaimed Roads <i>Operational only</i>	Province/ Transport and Public Works	81	-	-	To provide routine maintenance and/or resealing on proclaimed roads (National Roads)
Local Government Financial Management Grant (FMG) <i>Operational only</i>	National / National Treasury	1,475	1,550	1,550	To promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act.
Municipal Infrastructure Grant (MIG)* <i>Capital & Operational</i>	National / Provincial and Local Government (National Vote 29)	23,891	25,549	26,823	To supplement capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions. The operating portion is utilised for the Project Management Unit.
Financial Management Capacity Building Grant		120	240	360	
Integrated National Electrification Programme (INEP) <i>Capital & Operational</i>	National / Minerals and Energy (National Vote 28)	3,001	4,000	3,000	To implement the Programme by providing capital subsidies to municipalities to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.
Expanded Public Works Programme Integrated Grant for Municipalities	Public Works (Vote 7)	1,292	-	-	To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in

<i>Operational only</i>					compliance with the Expanded Public Works Programme guidelines.
Equitable Share <i>Operational only</i>	National / Provincial and Local Government	62,982	71,037	77,629	

Section 12 - Allocations and Grants made by the Municipality

Allocations Made in kind by the Municipality

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand									
Cash Transfers to Organisations									
Leisure Isle Residents Association		32	33	35	41	41	40	42	44
Animal Welfare		350	400	432	462	462	494	518	544
Grants-in-aid and Donations		771	684	554	616	616	658	691	726
Krystna Tourism		4,300	3,700	4,000	4,000	4,000	4,000	4,000	4,000
Sedgefield Island Conservancy		–	–	–	–	10	10	11	11
Local Economic Development		–	–	–	–	–	–	–	–
HIV/AIDS		–	–	–	–	–	–	–	–
Total Cash Transfers To Organisations		5,452	4,816	5,021	5,119	5,129	5,202	5,262	5,325
Cash Transfers to Groups of Individuals									
Bursary Scheme		8	3	208	223	268	350	264	277
Grants-in-aid and Donations		150	178	140	214	450	250	263	276
Total Cash Transfers To Groups Of Individuals:		158	181	348	437	718	600	527	553
TOTAL CASH TRANSFERS AND GRANTS	6	5,610	4,998	5,369	5,556	5,847	5,802	5,789	5,878
Social Relief of Distress	5	–	3	4	75	75	75	79	83
Total Non-Cash Grants To Groups Of Individuals:		–	3	4	75	75	75	79	83
TOTAL NON-CASH TRANSFERS AND GRANTS		–	3	4	75	75	75	79	83
TOTAL TRANSFERS AND GRANTS	6	5,610	5,001	5,373	5,631	5,922	5,877	5,867	5,961

The above table depicts all transfers and Grants made by Council to outside organisations and individuals as bursaries within the KM area. The largest allocation is for tourism and marketing.

Section 13 - Councillor Allowances and Employee Benefits

Summary of Councillor remuneration	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	B	C	D	E	G	H	I
Councillors (Political Office Bearers plus Other)							
Basic Salaries and Wages	4,102	4,333	4,579	4,579	5,860	6,173	6,499
Pension and UIF Contributions	245	248	243	243	293	308	323
Medical Aid Contributions	58	25	—	—	—	—	—
Motor Vehicle Allowance	1,440	1,475	1,579	1,579	1,689	1,774	1,862
Cellphone Allowance	394	393	416	416	445	468	491
Housing Allowances	—	—	—	—	—	—	—
Other benefits and allowances	—	—	—	—	—	—	—
Sub Total - Councillors	6,240	6,474	6,817	6,817	8,288	8,722	9,176
% increase	5.6%	3.8%	5.3%	—	21.6%	5.2%	5.2%

The above table depicts Councillors Remuneration. A 21.6 % increase based on the 15/16 Adjustment Budget figures as well as additional Councillors.

Summary of Senior Managers and Employee remuneration	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	B	C	D	E	G	H	I
Senior Managers of the Municipality							
Basic Salaries and Wages	5,818	5,380	6,689	5,508	4,762	5,072	5,402
Pension and UIF Contributions	518	395	510	368	723	1,051	1,414
Medical Aid Contributions	109	70	113	68	75	80	85
Overtime	—	—	—	—	—	—	—
Performance Bonus	807	883	870	992	885	943	1,004
Motor Vehicle Allowance	411	333	466	336	290	309	329
Cellphone Allowance	—	—	—	—	—	—	—
Housing Allowances	—	—	—	—	—	—	—
Other benefits and allowances	305	212	238	223	148	157	167
Payments in lieu of leave	—	—	—	—	—	—	—
Long service awards	—	—	—	—	—	—	—
Post-retirement benefit obligations	—	—	—	—	—	—	—
Sub Total - Senior Managers of Municipality	7,969	7,274	8,887	7,494	6,883	7,612	8,401
% increase	40.8%	(8.7%)	22.2%	(15.7%)	(8.1%)	10.6%	10.4%
Other Municipal Staff							
Basic Salaries and Wages	89,551	99,170	110,945	111,610	115,907	132,270	141,554
Pension and UIF Contributions	16,395	18,152	20,647	20,663	22,857	24,302	25,868
Medical Aid Contributions	8,947	9,600	12,591	12,591	12,787	13,612	14,489
Overtime	13,239	14,328	11,252	12,151	14,959	7,948	8,342
Performance Bonus	7,506	8,358	9,156	9,163	10,179	10,841	11,546
Motor Vehicle Allowance	3,958	4,171	4,394	3,815	3,715	3,947	4,194
Cellphone Allowance	—	—	—	—	—	—	—
Housing Allowances	1,700	1,822	2,031	2,045	2,647	2,820	3,004
Other benefits and allowances	5,456	5,461	5,598	5,709	6,081	6,140	6,535
Payments in lieu of leave	2,653	1,772	1,091	1,104	1,559	1,665	1,778
Long service awards	1,183	903	1,872	1,872	1,056	1,109	1,164
Post-retirement benefit obligations	3,366	3,954	8,274	8,274	4,425	4,646	4,878
Sub Total - Other Municipal Staff	153,956	167,690	187,851	188,997	196,172	209,299	223,354
TOTAL MANAGERS AND STAFF	161,925	174,964	196,737	196,491	203,056	216,911	231,755

The overall net increase of 3% only, despite the annual inflationary increases, in total remuneration cost can partly be explained by Council's decision to freeze most vacant positions until 1 January 2017.

Section 14 - Monthly Targets for Revenue, Expenditure and Cash Flow

Disclosure on monthly targets for revenue, expenditure and cash flow is made in Annexure 2, however the breakdown is as follows:

Description	Budget Year 2016/17												MTREF
	July	August	Sept.	October	November	December	January	February	March	April	May	June	
R thousand													Budget Year 2016/17
Revenue By Source													
Property rates	150,161	1,877	1,877	1,877	15,016	3,754	1,877	1,877	1,877	1,877	1,877	3,753	187,701
Property rates - penalties & collection charges	222	224	216	215	316	464	387	387	282	297	198	94	3,300
Service charges - electricity revenue	25,375	20,469	17,653	17,405	17,440	17,165	20,324	20,324	22,821	22,821	22,821	3,595	228,213
Service charges - water revenue	18,894	3,434	5,276	4,650	210	3,694	3,454	3,454	5,181	2,878	2,878	3,563	57,565
Service charges - sanitation revenue	10,741	134	134	134	1,074	269	134	134	134	134	134	271	13,427
Service charges - refuse revenue	14,457	181	181	181	1,445	361	181	181	181	181	181	362	18,072
Service charges - other	245	311	405	427	209	270	297	297	520	520	390	442	4,330
Rental of facilities and equipment	314	311	352	296	505	494	495	495	478	537	896	796	5,970
Interest earned - ex.ternal investments	466	659	512	610	752	668	1,242	1,242	409	735	735	139	8,171
Interest earned - outstanding debtors	168	206	241	297	416	434	432	432	155	155	93	67	3,095
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines	1,550	1,192	1,458	1,446	2,026	1,550	1,429	1,429	1,706	1,706	1,706	68,123	85,321
Licences and permits	96	86	92	103	93	65	110	110	112	112	112	308	1,399
Agency services	271	240	263	287	263	225	355	355	130	130	130	(53)	2,596
Transfers recognised - operational	27,138	721	1,277	1,514	22,834	1,995	2,008	2,008	2,129	2,129	2,129	32,578	98,458
Other revenue	395	81	465	308	284	386	404	404	390	390	390	435	4,333
Gains on disposal of PPE	0	0	0	0	0	0	3	3	3	3	3	237	250
Total Revenue (excluding capital transfers and	250,494	30,124	30,402	29,751	62,883	31,792	33,132	33,132	36,506	34,605	34,672	114,708	722,201
Expenditure By Type													
Employee related costs	15,469	15,469	20,402	15,469	26,533	15,469	15,597	15,597	15,597	15,597	15,597	16,260	203,056
Remuneration of councillors	690	690	690	690	690	690	690	690	690	690	690	695	8,288
Debt impairment	1,769	104	937	937	937	937	937	937	900	900	900	66,270	76,464
Depreciation & asset impairment	2,501	2,500	2,500	2,500	2,499	2,499	2,499	2,499	2,400	2,400	2,399	2,803	30,000
Finance charges	-	-	3,610	-	-	(0)	6,006	6,006	3,668	-	1,835	(2,782)	18,342
Bulk purchases	106	21,178	18,447	11,280	11,312	10,926	12,299	12,299	12,731	12,731	12,731	23,098	159,138
Other materials	152	2,369	2,271	1,150	670	2,008	4,383	4,383	1,974	1,974	1,974	4,895	28,203
Contracted services	149	3,822	923	2,791	825	1,658	3,069	3,069	1,985	1,985	1,985	(206)	22,056
Transfers and grants	1,334	-	1,326	12	20	172	1,344	1,344	110	110	1,110	(1,006)	5,877
Other expenditure	11,820	10,739	13,894	14,747	13,065	16,448	17,595	17,595	15,534	16,152	17,184	17,846	182,619
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure	33,991	56,871	64,999	49,575	56,551	50,808	64,420	64,420	55,590	52,539	56,405	127,874	734,042
Surplus/(Deficit)	216,503	(26,747)	(34,597)	(19,824)	6,332	(19,015)	(31,287)	(31,287)	(19,084)	(17,934)	(21,733)	(13,166)	(11,841)
Transfers recognised - capital	2,568	3,670	1,454	15,156	12,858	19,960	1,001	1,001	1,347	4,617	4,617	22,317	90,566
Contributions recognised - capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	219,071	(23,076)	(33,144)	(4,668)	19,190	945	(30,286)	(30,286)	(17,737)	(13,318)	(17,117)	9,151	78,725

The above table depicts consolidated projections of revenue by source and expenditure by type for 2016/17 budget per period and the following table depicts the same table but on a Directorate/ Vote level:

Description	Budget Year 2016/17												MTREF
	July	August	Sept.	October	November	December	January	February	March	April	May	June	
R thousand													Budget Year 2016/17
Revenue by Vote													
Vote 1 - Executive & Council	4,161	5	27	18	3,318	23	26	26	25	25	25	2,751	10,431
Vote 2 - Corporate Services	223	192	253	207	324	328	330	276	322	356	562	591	3,965
Vote 3 - Financial Services	151,891	2,844	2,866	2,919	16,987	5,169	3,796	3,515	2,828	3,170	3,065	5,696	204,746
Vote 5 - Planning & Development	2,564	3,257	2,140	11,930	10,456	15,539	2,262	10,469	2,719	5,014	4,936	19,265	90,552
Vote 6 - Community Services	22,979	2,156	2,588	2,956	9,311	3,478	2,909	3,640	2,926	3,027	3,153	75,727	134,848
Vote 7 - Electrical Services	32,573	20,764	17,966	18,244	23,685	18,206	20,642	18,665	23,122	23,249	23,199	10,854	251,167
Vote 8 - Technical Services	38,671	4,576	6,016	8,633	11,662	9,009	4,168	8,022	5,911	4,381	4,349	11,662	117,058
Total Revenue by Vote	253,062	33,794	31,855	44,907	75,742	51,752	34,133	44,613	37,853	39,222	39,289	126,545	812,767
Expenditure by Vote to be appropriated													
Vote 1 - Executive & Council	4,488	1,929	8,507	2,622	3,662	3,351	2,986	1,731	1,810	1,770	2,788	5,104	40,748
Vote 2 - Corporate Services	2,381	2,051	2,165	2,106	2,955	1,785	2,141	2,119	2,110	2,109	2,110	5,641	29,675
Vote 3 - Financial Services	4,546	4,058	4,366	4,654	5,336	4,703	4,315	6,506	4,295	4,258	4,276	7,586	58,899
Vote 5 - Planning & Development	5,932	6,052	7,590	7,148	7,834	7,966	7,452	3,821	7,451	7,250	7,350	(28,341)	47,505
Vote 6 - Community Services	7,341	9,037	8,405	8,865	10,971	9,006	10,001	8,604	9,233	8,895	9,064	79,468	178,889
Vote 7 - Electrical Services	1,968	23,795	22,520	13,995	13,977	13,445	18,110	14,350	17,212	15,483	16,376	32,123	203,354
Vote 8 - Technical Services	7,334	9,949	11,445	10,185	11,816	10,553	19,414	11,630	13,479	12,774	14,440	41,954	174,973
Total Expenditure by Vote	33,991	56,871	64,999	49,575	56,551	50,808	64,419	48,760	55,589	52,539	56,405	143,536	734,042
Surplus/(Deficit) before assoc.	219,071	(23,077)	(33,143)	(4,668)	19,191	945	(30,286)	(4,147)	(17,737)	(13,317)	(17,116)	(16,990)	78,725
Surplus/(Deficit)	219,071	(23,077)	(33,143)	(4,668)	19,191	945	(30,286)	(4,147)	(17,737)	(13,317)	(17,116)	(16,990)	78,725

Monthly capital budget revenue and expenditure projections

The following table depicts budgeted monthly capital expenditure by Municipal vote:

Description	Ref	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Multi-year expenditure to be appropriated	1															
Vote 1 - Executive & Council		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 2 - Corporate Services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 3 - Financial Services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 4 - Strategic Services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 5 - Planning & Development		-	2,868	4,588	4,588	4,588	6,882	-	6,882	6,882	6,882	6,882	6,309	57,353	-	-
Vote 6 - Community Services		200	200	200	200	200	-	-	877	877	1,316	3,070	4,386	11,527	8,772	8,772
Vote 7 - Electrical Services		1,658	1,733	2,913	1,148	278	168	168	522	723	230	422	367	10,332	4,309	2,632
Vote 8 - Technical Services		2,852	2,862	3,195	3,499	2,330	1,470	1,667	1,069	556	1,807	2,801	843	24,950	20,189	24,059
Capital multi-year expenditure sub-total	2	4,711	7,663	10,896	9,435	7,397	8,321	1,835	9,350	9,038	10,235	13,176	11,985	104,162	33,270	35,463
Single-year expenditure to be appropriated	2															
Vote 1 - Executive & Council		-	10	-	-	-	-	-	330	550	1,320	10	-	2,220	20	-
Vote 2 - Corporate Services		-	-	-	-	-	-	700	900	1,500	1,750	1,800	400	7,050	10	-
Vote 3 - Financial Services		-	-	241	-	-	306	120	-	241	-	32	461	1,402	745	-
Vote 4 - Strategic Services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 5 - Planning & Development		-	-	-	-	-	-	-	-	-	-	-	-	-	20	20
Vote 6 - Community Services		530	660	80	345	195	800	2,309	980	3,701	1,282	1,224	1,200	13,306	6,480	1,000
Vote 7 - Electrical Services		533	240	310	300	300	300	1,020	300	405	780	3,450	2,465	10,403	5,640	5,848
Vote 8 - Technical Services		2,691	3,769	3,557	3,445	2,487	678	2,511	2,081	1,790	1,383	7,158	2,396	33,947	28,858	81,858
Capital single-year expenditure sub-total	2	3,754	4,679	4,189	4,090	2,982	2,085	6,660	4,591	8,187	6,515	13,674	6,923	68,327	41,773	88,726
Total Capital Expenditure	2	8,464	12,342	15,085	13,525	10,379	10,605	8,495	13,941	17,226	16,750	26,850	18,828	172,489	75,043	124,188

The following table depicts budgeted monthly capital expenditure by GFS Classification as well as Funding Source:

Description	Ref	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
2) Capital Expenditure - Standard																
Governance and administration		281	94	241	-	-	306	889	1,280	3,062	3,327	1,842	861	12,184	835	20
Executive and council		-	10	-	-	-	-	-	330	550	1,320	10	-	2,220	20	-
Budget and treasury office		-	-	-	-	-	-	120	-	-	-	-	-	120	-	-
Corporate services		281	84	241	-	-	306	769	950	2,512	2,007	1,832	861	9,844	815	20
Community and public safety		100	3,088	4,668	4,738	4,588	7,382	1,840	8,510	10,510	8,948	10,952	11,745	77,069	14,992	9,772
Community and social services		-	-	-	150	-	500	500	1,627	1,927	2,066	4,069	5,386	16,226	14,772	9,772
Sport and recreation		100	220	80	-	-	-	890	-	-	-	-	-	1,290	-	-
Public safety		-	-	-	-	-	-	450	-	1,700	-	-	50	2,200	220	-
Housing		-	2,868	4,588	4,588	4,588	6,882	-	6,882	6,882	6,882	6,882	6,309	57,353	-	-
Health		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic and environmental services		-	-	-	-	-	-	1,790	376	175	1,486	2,641	843	7,312	1,432	3,248
Planning and development		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road transport		-	-	-	-	-	-	1,790	376	175	1,486	2,641	843	7,312	1,432	3,248
Environmental protection		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trading services		8,083	9,161	10,175	8,787	5,791	2,917	3,976	3,775	3,478	2,988	11,415	5,378	75,925	57,784	111,148
Electricity		2,191	1,973	3,223	1,448	578	468	1,188	822	1,128	1,010	3,872	2,832	20,735	9,949	8,480
Water		5,042	6,116	6,405	6,767	4,160	1,274	46	143	257	428	599	114	31,348	36,190	78,434
Waste water management		250	431	347	297	777	1,025	2,492	2,811	2,094	1,551	6,945	2,432	21,451	11,425	24,234
Waste management		600	640	200	275	275	150	250	-	-	-	-	-	2,390	220	-
Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard		8,464	12,342	15,085	13,525	10,379	10,605	8,495	13,941	17,226	16,750	26,850	18,828	172,489	75,043	124,188
Funded by:																
National Government		3,135	2,763	3,250	3,550	2,550	1,409	1,026	2,297	2,356	1,602	3,388	3,934	31,259	33,513	33,695
Provincial Government		-	2,868	4,588	4,588	4,588	6,882	-	6,882	6,882	7,321	7,470	7,236	59,307	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital		3,135	5,631	7,838	8,138	7,138	8,291	1,026	9,179	9,238	8,923	10,858	11,170	90,566	33,513	33,695
Public contributions & donations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing		-	-	-	171	1,026	1,184	3,305	2,678	2,325	3,291	10,071	3,963	28,013	13,601	23,803
Internally generated funds		5,329	6,712	7,247	5,216	2,214	1,130	4,165	2,084	5,662	4,536	5,921	3,695	53,910	27,929	66,690
Total Capital Funding		8,464	12,342	15,085	13,525	10,379	10,605	8,495	13,941	17,226	16,750	26,850	18,828	172,489	75,043	124,188

Monthly cash flow projections

The below table indicates Budgeted monthly cash flow' that sets out receipts by source and payments by type for both operating and capital, broken down per month for the budget year, and shown in total for the following two years:

MONTHLY CASH FLOWS	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
	July	August	Sept	October	November	December	January	February	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Cash Receipts By Source													1		
Property rates	142,653	1,783	1,783	1,783	14,265	3,566	1,783	1,783	1,783	1,783	1,783	3,566	178,316	193,218	202,878
Property rates - penalties & collection charges	211	212	205	204	300	440	367	367	268	282	188	89	3,135	3,397	3,567
Service charges - electricity revenue	24,106	19,445	16,770	16,535	16,568	16,306	19,308	19,308	21,680	21,680	21,680	3,415	216,802	237,105	258,444
Service charges - water revenue	17,949	3,262	5,012	4,418	199	3,509	3,281	3,281	4,922	2,734	2,734	3,385	54,687	59,781	62,770
Service charges - sanitation revenue	10,204	127	127	127	1,020	255	127	127	127	127	127	257	12,755	13,991	14,691
Service charges - refuse revenue	13,734	172	172	172	1,373	343	172	172	172	172	172	344	17,168	23,048	24,200
Service charges - other	232	295	384	405	199	257	282	282	494	494	370	420	4,114	4,299	4,514
Rental of facilities and equipment	299	296	334	282	480	469	470	470	454	511	851	756	5,671	5,840	6,132
Interest earned - external investments	466	659	512	610	752	668	1,242	1,242	409	735	735	139	8,171	8,579	9,008
Interest earned - outstanding debtors	160	196	229	282	395	412	411	411	147	147	88	63	2,940	3,073	3,212
Fines	405	312	382	378	530	406	374	374	446	446	446	17,822	22,321	24,369	17,033
Licences and permits	96	86	92	103	93	65	110	110	112	112	112	308	1,399	1,469	1,543
Agency services	271	240	263	287	263	225	355	355	130	130	130	(53)	2,596	2,726	2,862
Transfer receipts - operational	27,138	721	1,277	1,514	22,834	1,995	2,008	2,008	2,129	2,129	2,129	32,578	98,458	109,585	98,339
Other revenue	395	81	465	308	284	386	404	404	390	390	390	435	4,333	4,562	4,790
Cash Receipts by Source	238,321	27,887	28,008	27,409	59,556	29,303	30,695	30,695	33,662	31,872	31,936	63,523	632,868	695,041	713,984
Other Cash Flows by Source															
Transfer receipts - capital	30,189				30,553				30,553			(728)	90,566	33,513	33,695
Contributions recognised - capital & Contributed assets															
Proceeds on disposal of PPE												250	250	250	250
Short term loans															
Borrowing long term/refinancing												28,013	28,013	13,601	23,803
Increase (decrease) in consumer deposits												1,562	1,562	1,796	2,066
Decrease (increase) in non-current debtors															
Decrease (increase) other non-current receivables															
Decrease (increase) in non-current investments												(3,514)	(3,514)	(3,971)	(4,487)
Total Cash Receipts by Source	268,509	27,887	28,008	27,409	90,109	29,303	30,695	30,695	64,215	31,872	31,936	89,106	749,744	740,231	765,311
Cash Payments by Type															
Employee related costs	15,469	15,469	20,402	15,469	26,533	15,469	15,597	15,597	15,597	15,597	15,597	16,260	203,056	216,911	231,755
Remuneration of councillors	690	690	690	690	690	690	690	690	690	690	690	695	8,288	8,722	9,176
Finance charges			3,610			(0)	6,006	6,006	3,668		1,835	(2,782)	18,342	19,259	20,222
Bulk purchases - Electricity	101	20,195	17,590	10,756	10,787	10,419	11,728	11,728	12,140	12,140	12,140	22,026	151,751	173,677	175,449
Bulk purchases - Water & Sewer															
Other materials	145											26,750	26,894	12,852	12,964
Contracted services	142											20,889	21,032	22,695	22,144
Transfers and grants - other municipalities															
Transfers and grants - other	1,334		1,326	12	20	172	1,344	1,344	110	110	1,110	(1,006)	5,877	5,867	5,961
Other expenditure	11,271	10,241	13,249	14,062	12,458	15,685	16,778	16,778	14,813	15,402	16,386	17,017	174,142	194,026	177,685
Cash Payments by Type	29,152	46,595	56,867	40,990	50,489	42,435	52,144	52,144	47,019	43,940	47,758	99,849	609,381	654,010	655,356
Other Cash Flows/Payments by Type															
Capital assets												164,482	164,482	77,409	122,317
Repayment of borrowing												10,882	10,882	14,658	16,535
Other Cash Flows/Payments															
Total Cash Payments by Type	29,152	46,595	56,867	40,990	50,489	42,435	52,144	52,144	47,019	43,940	47,758	275,214	784,746	746,077	794,207
NET INCREASE/(DECREASE) IN CASH HELD	239,357	(18,708)	(28,859)	(13,581)	39,620	(13,133)	(21,448)	(21,448)	17,196	(12,067)	(15,822)	(186,108)	(35,002)	(5,849)	(24,896)
Cash/cash equivalents at the monthly year begin:	45,316	284,873	286,165	237,306	223,726	283,346	250,213	228,765	207,316	224,512	212,445	196,823	45,316	10,515	4,668
Cash/cash equivalents at the monthly year end:	284,873	266,165	237,306	223,726	263,346	250,213	228,765	207,316	224,512	212,445	196,823	10,515	10,515	4,668	(20,229)

Section 15 - Annual Budgets and Service Delivery and Budget Implementation Plans - Internal Directorates

Adoption of the Service Delivery and Budget Implementation Plan

In terms of section 53(1)(c)(ii) of the MFMA the Service Delivery and Budget Implementation Plan must be approved by the Mayor within 14 days after the final approval of the budget.

Refer to Annexure 7 for more information.

Section 16 - Annual Budgets and Service Delivery Agreements

Refer to Annexure 2, 'Supporting Table SA32: List of external mechanisms'. Council does not have service delivery agreements of this nature in place at present.

The service Level Standards are currently being exploited by Council.

Section 17 - Contracts Having Future Budgetary Implications

'Supporting Table SA33: Contracts having future budgetary implications' in Annexure 2 discloses all contracts which will impose financial obligations on the municipality beyond the three years covered in the annual budget.

Since Knysna falls into the category of municipalities with approved total revenue greater than R250 million, all contracts with an annual cost greater than R1million and for longer than three years must be disclosed. In this instant Knysna has only 1 contract of this nature that has a value more than a million which is the: Melville Development: Customer Care Centre.

Section 18 - Capital Expenditure Details

Capital details are shown in Annexure 2:

- ‘Main Table A5: Capex (capital expenditure)’
- Main Table A9: Asset Management (capital expenditure, Asset Register, Depreciation, and R&M)’
- ‘Supporting Table SA6: Reconciliation of IDP strategic objectives and budget (capital expenditure)’
- ‘Supporting Table SA28: Monthly Capital Expenditure by Municipal Vote (capital expenditure)’
- ‘Supporting Table SA29: Monthly Capital Expenditure by GFS and Funding Source (capital expenditure)’
- ‘Supporting Table SA34a: Capital expenditure on new assets by asset class’
- ‘Supporting Table SA34b: Capital expenditure on the renewal of existing assets by asset class’
- ‘Supporting Table SA36: Detailed capital budget’

Projects delayed from previous years

The below table depicts capital programmes or projects delayed from previous financial years:

Municipal Vote/Capital project	Ref. 1,2	Project name	Project number	Asset Class 3	Asset Sub-Class 3	GPS co-ordinates 4	Previous target year to complete Year	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
								Original Budget	Full Year Forecast	Budget Year 2016/17	+1 2017/18	Budget Year +2 2018/19
R thousand												
Parent municipality: List all capital projects grouped by Municipal Vote				Examples	Examples							
Technical Services		T22/15 Nekkes Intersection	20-88-04-2950-38	Infrastructure - Road transport	Roads, Pavements & Bridges		7,000	7,000	7,000	4,000		

Section 19 - Legislation Compliance Status

The disclosure on legislation compliance must provide a brief summary of the status of the implementation of legislation applicable to municipalities, including progress made or delays experienced in implementation.

Municipal Finance Management Act - No 56 of 2003

The MFMA became effective on 1st July 2004. It covers all aspects of municipal finance including budgeting, supply chain management and financial reporting.

The MFMA and the budget

The following explains the budgeting process in terms of the requirements in the MFMA. It is based on National Treasury's guide to the MFMA.

The MFMA requires a Council to adopt three-year capital and operating budgets that take into account, and are linked to, the municipality's current and future development priorities and other finance-related policies (such as those relating to free basic service provision).

These budgets must clearly set out revenue by source and expenditure by vote over three years and must be accompanied by performance objectives for revenue and expenditure, a cash flow statement and any particulars on borrowings, investments, municipal entities, service delivery agreements, grant allocations and details of employment costs.

The budget may be funded only from reasonable estimates of revenue and cash-backed deficit funds from the previous year and borrowings (the latter for capital items only).

Budget preparation timetable

The budget preparation timetable is prepared by senior management and tabled by the Mayor for Council adoption by 31 August (ten months before the commencement of the next budget year).

Budget preparation and review of IDP and policy

The Mayor must co-ordinate the budget preparation process and the review of Council's IDP and budget-related policy, with the assistance of the Municipal Manager.

The Mayor must ensure that the IDP review forms an integral part of the budget process and that any changes to strategic priorities as contained in the IDP document have realistic projections of revenue and expenditure. In developing the budget, the management must take into account national and provincial budgets, the national fiscal and macro-economic policy and other

relevant agreements or Acts of Parliament. The Mayor must consult with the relevant district Council and all other local municipalities in that district as well as the relevant provincial treasury and the National Treasury when preparing the budget, and must provide the National Treasury and other government departments with certain information on request.

This process of development should ideally occur between August and November, so that draft consolidated three-year budget proposals, IDP amendments and policies can be made available during December and January.

Tabling of the draft budget

The initial draft budget must be tabled by the Mayor before Council for review by 31 March 2016.

Publication of the draft budget

Once tabled at Council, the Municipal Manager must make public the appropriate budget documentation and submit it to National Treasury and the relevant provincial treasury and any other government departments as required. At this time, the local community must be invited to submit representations on what is contained in the budget.

Opportunity to comment on draft budget

When the draft budget is tabled, Council must consider the views of the local community, the National Treasury and the relevant provincial treasury and other municipalities and government departments that may have made submissions on the budget.

Opportunity for revisions to draft budget

After considering all views and submissions, Council must provide an opportunity for the Mayor to respond to the submissions received and if necessary to revise the budget and table amendments for Council's consideration.

Following the tabling of the draft budget at the end of March, the months of April and May should be used to accommodate public, government and Council comment and to make any revisions that may be necessary. This may take the form of public hearings, Council debates, formal or informal delegations to the National Treasury, provincial treasury and other municipalities, or any other consultative forums designed to address stakeholder priorities.

Adoption of the annual budget

The Council must consider the approval of the budget by 31 May and must formally adopt the budget by 30 June. This provides a 30-day window for Council to revise the budget several times before its final approval. If a Council fails to approve its budget at its first meeting, it must reconsider it, or an amended draft, again within seven days and it must continue to do so until it is finally approved - before 1 July.

Once approved, the Municipal Manager must place the budget on the municipality's website within five days.

Budget Implementation

Implementation management - the Service Delivery and Budget Implementation Plan (SDBIP)

The Municipal Manager must within fourteen days of the approval of the annual budget (by 14 July at the latest) submit to the Mayor for approval a draft SDBIP and draft annual performance agreements for all pertinent senior staff.

An SDBIP is a detailed plan for implementing the delivery of municipal services contemplated in the annual budget and should indicate monthly revenue and expenditure projections and quarterly service delivery targets and performance indicators.

The Mayor must approve the draft SDBIP within 28 days of the approval of the annual budget (by 28 July at the latest).

This plan must then be monitored by the Mayor and reported on to Council on a regular basis.

Managing the implementation process

The Municipal Manager is responsible for implementation of the budget and must take steps to ensure that all spending is in accordance with the budget and that revenue and expenditure are properly monitored.

Variation from budget estimates

Generally, Councils may incur expenditure only if it is in terms of the budget, within the limits of the amounts appropriated against each budget vote - and in the case of capital expenditure, only if Council has approved the project.

Expenditure incurred outside of these parameters may be considered to be unauthorised or, in some cases, irregular or fruitless and wasteful.

Other Legislation

In addition to the MFMA, the following legislation also influences Municipality budgeting;

The Division of Revenue Act and Provincial Budget Announcements

Three year national allocations to local government are published per municipality each year in the Division of Revenue Act. The Act places duties on municipalities in addition to the requirements of the MFMA, specifically with regard to reporting obligations.

Allocations to the Municipality from Provincial Government are announced and published in the Provincial budget.

Section 18 of the MFMA states, “annual budgets may only be funded from reasonably anticipated revenues to be collected”. The provision in the budget for allocations from National and Provincial Government should reflect the allocations announced in the DORA or in the relevant Provincial Gazette.

The Municipal Systems Act - No 32 of 2000 and Municipal Systems Amendment Act no 44 of 2003

One of the key objectives of the Municipal Systems Act is to ensure financially and economically viable communities. The requirements of the Act link closely to those of the MFMA. In particular, the following requirements need to be taken into consideration in the budgeting process;

- Chapters 4 and 5 relating to community participation and the requirements for the Integrated Development Planning process.
- Chapter 6 relates to performance management which links with the requirements for the budget to contain measurable performance objectives and quarterly performance targets in the Service Delivery and Budget Implementation Plan.
- Chapter 8 relates to the requirement to produce a tariff policy. Section 20 - Other supporting documents

Section 20 - Other supporting documents

Various supporting documents are attached to enable the reader a fuller understanding of the various processes involved. These are the following:

Annexure 1 – Main Budget Tables

Tables A1 to A10

Annexure 2 – Supporting Budget Tables

Supporting Tables SA1 to SA37

Annexure 3 – Tariffs*, Charges and Fees for 2016/2017

The average increases for 2016/2017 are:

	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>
Rates	8.9%	9%	9%
Refuse	9.5%	9%	9%
Water- fixed and consumption	9.5%	12%	12%
Sewer	8.9%	9%	9%
Electricity - monthly consumption tariff	7.6%	9%	9%

** See tariff schedule for full detail*

Annexure 4

Municipal Budget Circular for the 2016/17 MTREF - MFMA Circulars 74 & 75

Annexure 5 – Policies

- Budget
- Cash, liability & investment management
- Credit control
- Funding & reserves
- Indigent relief & social rebates
- Property rates
- Supply chain management
- Tariff
- Long term Financial Plan Policy

Annexure 6

Budget submission and Mayor's report (of which will be submitted 26 May 2016)

Annexure 7

Service Delivery Budget Implementation Plan

Annexure 8

Integrated Development Plan

Annexure 9

mSCOA Project Plan

Section 21 - Municipal Manager's Quality Certification

An annual budget and supporting documentation must be covered by a quality certificate in the format as per page 68 of the Government Gazette 32141 - 17 April 2009.

QUALITY CERTIFICATE

I, Grant Easton, Municipal Manager of Knysna Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name: GRANT EASTON

Municipal Manager of Knysna Municipality (WC048)

Signature

Date


